NEW APPLICATION

000004O517

CloseCall America

www.closecall.com

ORIGINAL

RECEIVED

2006 FEB -9 P 3:00

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, AZ 85007-2927

T-20440A-06-0081

Re: Application of CloseCall America for a Certificate of Convenience and Necessity as a Resold and Facilities-based Local Exchange and Long Distance Telecommunications Provider in the State of Arizona

Dear Chief Clerk:

Please find the attached verified original and thirteen copies of the Application of CloseCall America for a certificate of covariance and necessity as a resold and facilities based local exchange and long distance telecommunications provider in the State of Arizona. The Petitioner seeks certification to provide service in all regions open for competition.

Please contact Ben Aylesworth by telephone at (410) 604-3022 or by e-mail at ben@closecall.com if you have any additional questions or need additional information. Acknowledgement and date of receipt of this application are requested. A duplicate letter and envelope are attached for this purpose.

Ben Aylesworth
Executive Director
Regulatory Affairs
CloseCall America, Inc.

NEW APPLICATION
ORIGINAL

ARIZONA CORPORATION COMMISSION

RECEIVED

2006 FEB -9 P 3:00

AZ CORP COMMISSION
DOCUMENT CONTROL

Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunications Services

Mail original plus 13 copies of completed application to:

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

For Docket Control Only:
(Please Stamp Here)

T-20440A-06-0081

Please indicate if you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.

Type of Service: Resold and Facilities Based Local Exchange and Long Distance Telecommunications Service

Docket No.: ____________ Date: ____________ Date Docketed: ____________

Type of Service: ____________

Docket No.: ____________ Date: ____________ Date Docketed: ____________

A. COMPANY AND TELECOMMUNICATION SERVICE INFORMATION

(A-1) Please indicate the type of telecommunications services that you want to provide in Arizona and answer the appropriate numbered items:

- [x] Resold Long Distance Telecommunications Services (Answer Sections A, B).
- [x] Resold Local Exchange Telecommunications Services (Answer Sections A, B, C).
- [x] Facilities-Based Long Distance Telecommunications Services (Answer Sections A, B, D).
- [x] Facilities-Based Local Exchange Telecommunications Services (Answer Sections A, B, C, D, E)
- [ ] Alternative Operator Services Telecommunications Services (Answer Sections A, B)
- [ ] Other ________ (Please attach complete description)

(A-2) The name, address, telephone number (including area code), facsimile number (including area code), e-mail address, and World Wide Web address (if one is available for consumer access) of the Applicant:

CloseCall America, Inc

101 A Log Canoe Circle

Stevensville, MD 21666

Phone: 410.604.0405 Fax 800-503-1982

ben@closecall.com

www.closecall.com

(A-3) The d/b/a ("Doing Business As") name if the Applicant is doing business under a name different from that listed in Item (A-2):

N/A

(A-4) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Management Contact:

Ben Aylesworth

101 A Log Canoe Circle

Stevensville, MD 21666

410-604-3022

ben@closecall.com

(A-5) The name, address, telephone number (including area code), facsimile number (including area code), and E-mail address of the Applicant's Attorney and/or Consultant:

Ben Aylesworth

101 A Log Canoe Circle

Stevensville, MD 21666

410-604-3022

ben@closecall.com

(A-6) The name, address, telephone number (including area code), facsimile number (including area code), E-mail address of the Applicant's Complaint Contact Person:

Ben Aylesworth

101 A Log Canoe Circle

Stevensville, MD 21666

410-604-3022

ben@closecall.com

(A-7) What type of legal entity is the Applicant?

- [ ] Sole proprietorship
- [ ] Partnership: ____ Limited, ____ General, ____ Arizona, ____ Foreign
- [ ] Limited Liability Company: ____ Arizona, ____ Foreign
- [X] Corporation: ____ "S", ____ "C", ____ Non-profit

Other, specify: ____

(A-8) Please include "Attachment A":

Attachment "A" must include the following information:

1. A copy of the Applicant's Certificate of Good Standing as a domestic or foreign corporation, LLC, or other entity in the State of Arizona.
2. A list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify).
3. Indicate percentages of ownership of each person listed in A-8.2.

(A-9) Include your Tariff as "Attachment B".

Your Tariff must include the following information:

1. Proposed Rates and Charges for each service offered (reference by Tariff page number).
2. Tariff Maximum Rate and Prices to be charged (reference by Tariff page number).
3. Terms and Conditions Applicable to provision of Service (reference by Tariff page number).
4. Deposits, Advances, and/or Prepayments Applicable to provision of Service (reference by Tariff page number).
5. The proposed fee that will be charged for returned checks (reference by Tariff page number).

Upon approval of this application, the Applicant will submit a Tariff that complies with all the rules required by Arizona law. The Applicant will not serve Arizona customers until a Tariff has been filed.

(A-10) Indicate the geographic market to be served:

[X] Statewide. (Applicant adopts statewide map of Arizona provided with this application).

[ ] Other. Describe and provide a detailed map depicting the area.

(A-11) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any formal or informal complaint proceedings pending before any state or federal regulatory commission, administrative agency, or law enforcement agency.

Describe in detail any such involvement. Please make sure you provide the following information:

1. States in which the Applicant has been or is involved in proceedings.
2. Detailed explanations of the Substance of the Complaints.
3. Commission Orders that resolved any and all Complaints.
4. Actions taken by the Applicant to remedy and/or prevent the Complaints from re-occurring.

There are no formal or informal complaints against CloseCall America or any of its officers, directors or partners.

(A-12) Indicate if the Applicant or any of its officers, directors, partners, or managers has been or are currently involved in any civil or criminal investigation, or had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last ten (10) years.

Describe in detail any such judgments or convictions. Please make sure you provide the following information:

1. States involved in the judgments and/or convictions.
2. Reasons for the investigation and/or judgment.
3. Copy of the Court order, if applicable.

No officer, director, manager, or partner of CloseCall America has been or is currently involved in any civil or criminal investigation, or has had judgments entered in any civil matter, judgments levied by any administrative or regulatory agency, or been convicted of any criminal acts within the last 10 years.

(A-13) Indicate if the Applicant's customers will be able to access alternative toll service providers or resellers via 1+101XXXX access.

[X] Yes　　No [ ]

(A-14) Is applicant willing to post a Performance Bond? Please check appropriate box(s).

[ ] For Long Distance Resellers, a $10,000 bond will be recommended for those resellers who collect advances, prepayments or deposits.

[ ] Yes　　[X] No

If "No", continue to question (A-15).

[ ] For Local Exchange Resellers, a $25,000 bond will be recommended.

[ ] Yes　　[X] No

If "No", continue to question (A-15).

[ ] For Facilities-Based Providers of Long Distance, a $100,000 bond will be recommended.

[ ] Yes　　[X] No

If "No", continue to question (A-15).

[ ] For Facilities-Based Providers of Local Exchange, a $100,000 bond will be recommended.

[ ] Yes　　[X] No

If "No", continue to question (A-15).

Note: Amounts are cumulative if the Applicant is applying for more than one type of service.

(A-15) If No to any of the above, provide the following information. Clarify and explain the Applicant's deposit policy (reference by tariff page number). Provide a detailed explanation of why the applicant's superior financial position limits any risk to Arizona consumers.

The tariff filed upon the approve of this application will read:

2.18 Deposits

(a) If the Customer cannot establish a satisfactory credit standing with the Company, the Customer shall make a deposit before a service is furnished or continued. Such deposit shall be held as a guarantee for the payment of charges. The Company may require such a deposit, which may be in addition to an advance payment, if the Company considers this action necessary to safeguard its interests. The deposit shall not exceed two-twelfths (2/12) of estimated annual billings. At any time, at its option, or after twelve (12) months of service if the Customer has not been delinquent in the payment of the Company bills, the Company may return the deposit or credit it to the Customer's account. When a service is discontinued the amount of any applicable deposit will be applied to the Customer's account and any credit balance remaining will be refunded.

(b) Interest on deposits held shall be accrued at the rate applicable to the Company's escrow account in which such deposits.

(c) Upon termination of service, the Company shall return to the Customer the amount then on deposit plus accrued interest, less any amounts due to the Company due to the Company by the Customer for service rendered on the telephone account for which the deposit was collected.

(d) Any deposit, plus accrued interest, may be applied to the Customer's telephone account following completion of twelve months' satisfactory payment The credit will be applied against service in the 13th and, if appropriate, subsequent months once satisfactory credit is established. Upon the Customer's request, the refund shall be made in the form of a check issued and mailed to the subscriber no longer.

CloseCall has never defaulted on a deposit refund and will not rely on cash help from deposits to finance its operations. Further, compared to its liquid assets, the expected deposit liability should be covered many times over. CloseCall's historic ability to manage its cash flow to meet it operational needs, including deposit refunds, should serve as evidence enough of its superior financial standing.

(A-16) Submit copies of affidavits of publication that the Applicant has, as required, published legal notice of the Application in all counties where the applicant is requesting authority to provide service.

Note: For Resellers, the Applicant must complete and submit an Affidavit of Publication Form as Attachment "C" before Staff prepares and issues its report. Refer to the Commission's website for Legal Notice Material (Newspaper Information, Sample Legal Notice and Affidavit of Publication). For Facilities-Based Service Providers, the Hearing Division will advise the Applicant of the date of the hearing and the publication of legal notice. Do not publish legal notice or file affidavits of publication until your are advised to do so by the Hearing Division.

The Company will work with its documents processor to provide all necessary notification at the Hearing Division's request.

(A-17) Indicate if the Applicant is a switchless reseller of the type of telecommunications services that the Applicant will or intends to resell in the State of Arizona:

☐ Yes ☒ No

If "Yes", provide the name of the company or companies whose telecommunications services the Applicant resells.

(A-18) List the States in which the Applicant has had an application approved or denied to offer telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona:

The Applicant has applied for and received authority to provide Local Exchange and Long Distance Service in Delaware, Florida, Illinois, Indiana, Maryland, Michigan, New Jersey, New York, Ohio, Pennsylvania, Texas, and Wisconsin.

Note: If the Applicant is currently approved to provide telecommunications services that the Applicant intends to provide in Arizona in less than six states, excluding Arizona, list the Public Utility Commission ("PUC") of each state that granted the authorization. For each PUC listed provide the name of the contact person, their phone number, mailing address including zip code, and e-mail address.

(A-19) List the States in which the Applicant currently offers telecommunications services similar to those that the Applicant will or intends to offer in the State of Arizona. **The Applicant currently serves Local Exchange and Long Distance customers in Delaware, Florida, Illinois, Indiana, Maryland, Michigan, New Jersey, Ohio, Pennsylvania, and Wisconsin.**

Note: If the Applicant currently provides telecommunication services that the Applicant intends to provide in Arizona in six or more states, excluding Arizona, list the states. If the Applicant does not currently provide telecommunications services that the Applicant intends to provide in Arizona in five or less states, list the key personnel employed by the Applicant. Indicate each employee's name, title, position, description of their work experience, and years of service in the telecommunications services industry.

(A-20) List the names and addresses of any alternative providers of the service that are also affiliates of the telecommunications company, as defined in R14-2-801.

American Fiber Networks, Inc.

PO Box 271 RD 2

Greenwood, DE 19950

B. FINANCIAL INFORMATION

(B-1) Indicate if the Applicant has financial statements for the two (2) most recent years.

[X] Yes [ ] No

If "No," explain why and give the date on which the Applicant began operations.

(B-2) Include "Attachment D".

Provide the Applicant's financial information for the two (2) most recent years.

1. A copy of the Applicant's balance sheet.
2. A copy of the Applicant's income statement.
3. A copy of the Applicant's audit report.
4. A copy of the Applicant's retained earnings balance.
5. A copy of all related notes to the financial statements and information.

Note: Make sure "most recent years" includes current calendar year or current year reporting period.

(B-3) Indicate if the Applicant will rely on the financial resources of its Parent Company, if applicable.

The Applicant has financed it growth independently from its founding in 1999 until it was acquired October of 2004. It is still operated as a separate business entity and funds all aspects of its operations through its own revenues.

(B-4) The Applicant must provide the following information.

1. Provide the projected total revenue expected to be generated by the provision of telecommunications services to Arizona customers for the first twelve months following certification, adjusted to reflect the maximum rates for which the Applicant requested approval. Adjusted revenues may be calculated as the number of units sold times the maximum charge per unit.
2. Provide the operating expenses expected to be incurred during the first twelve months of providing telecommunications services to Arizona customers following certification.
3. Provide the net book value (original cost less accumulated depreciation) of all Arizona jurisdictional assets expected to be used in the provision of telecommunications service to Arizona customers at the end of the first twelve months of operation. Assets are not limited to plant and equipment. Items such as office equipment and office supplies should be included in this list.
4. If the projected value of all assets is zero, please specifically state this in your response.
5. If the projected fair value of the assets is different than the projected net book value, also provide the corresponding projected fair value amounts.

Please see Attachment E

C. RESOLD AND/OR FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(C-1) Indicate if the Applicant has a resale agreement in operation,

☐ Yes ☒ No

If "Yes", please reference the resale agreement by Commission Docket Number or Commission Decision Number.

D. FACILITIES-BASED LONG DISTANCE AND/OR FACILITIES BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES

(D-1) Indicate if the Applicant is currently selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services in the State of Arizona. This item applies to an Applicant requesting a geographic expansion of their CC&N:

☐ Yes ☒ No

If "Yes," provide the following information:

1. The date or approximate date that the Applicant began selling facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services for the State of Arizona.
2. Identify the types of facilities-based long distance telecommunications services AND/OR facilities-based local exchange telecommunications services that the Applicant sells in the State of Arizona.

If "No," indicate the date when the Applicant will begin to sell facilities-based long distance telecommunications AND/OR facilities-based local exchange telecommunications services in the State of Arizona:

The Applicant plans to offer both resold and facilities-based telecommunications service once it has secured commercial contracts with it underlying carriers and has filed all necessary tariffs with the Commission. Historical evidence suggests that the Applicant will start offering service about 60-90 days after the approval of its Application.

(D-2) Check here if you wish to adopt as your petition a statement that the service has already been classified as competitive by Commission Decision:

☒ Decision # 64178 Resold Long Distance

X Decision # 64178 Resold LEC

X Decision # 64178 Facilities Based Long Distance

X Decision # 64178 Facilities Based LEC

E. FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES
(E-1) Indicate whether the Applicant will abide by the quality of service standards that were approved by the Commission in Commission Decision Number 59421: ☒ Yes ☐ No
(E-2) Indicate whether the Applicant will provide all customers with 911 and E911 service, where available, and will coordinate with incumbent local exchange carriers ("ILECs") and emergency service providers to provide this service: ☒ Yes ☐ No
(E-3) Indicate that the Applicant's switch is "fully equal access capable" (i.e., would provide equal access to facilities-based long distance companies) pursuant to A.A.C. R14-2-1111 (A): ☒ Yes ☐ No

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county, and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona state law including the Arizona Corporation Commission Rules. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

(Signature of Authorized Representative)

2/2/06
(Date)

THOMAS MAZERSKI
(Print Name of Authorized Representative)

PRESIDENT
(Title)

SUBSCRIBED AND SWORN to before me this 2 day of February, 2006

Dawn M. Rose
NOTARY PUBLIC

My Commission Expires DAWN M. ROSE NOTARY PUBLIC STATE OF MARYLAND My Commission Expires August 1, 2009

Attachment A

STATE OF ARIZONA

Office of the

CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Director of the Arizona Corporation Commission, do hereby certify that

****CLOSECALL AMERICA, INC.****

a foreign corporation organized under the laws of Delaware did obtain authority to transact business in the State of Arizona on the 18th day of March 2005.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation has not had its authority revoked for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed an Application for Withdrawal as of the date of this certificate.

This certificate relates only to the legal authority of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 1st Day of February, 2006, A. D.

Executive Director

Order Number: 46195

CLOSECALL AMERICA OFFICERS			
Line No.	Title (a)	Name (b)	Address (c)
1	President	Thomas Mazerski	101 Log Canoe Circle, Stevensville, MD 21666
2	Secretary	Richard Ramlal	12601 Afturian Court, Herndon, VA 20171
3			
(etc.)			

OWNERSHIP OF CLOSECALL AMERICA

Line No. (a)	Stockholder Name (b)	Address (c)	Shares Held (d)	Votes Held (e)	Total Par of Stated Value (f)
1	MobilePro Corp.	6701 Democracy Blvd., Suite 202, Bethesda, Md	1,000	100%	0.001
2					

CloseCall America, Inc. is a wholly owned subsidiary of MobilePro Corp. and is operated as separate business unit.

Attachment B

[Reserved for Future Use]

Attachment C

[Reserved for Future Use]

Attachment D

CLOSECALL AMERICA, INC.

Financial Statements

Years ended December 31, 2003 and 2002 with Report of Independent Auditors

0402-0511980-BAL

CloseCall America, Inc.

Financial Statements

Years ended December 31, 2003 and 2002

Contents

Report of Independent Auditors

Board of Directors and Shareholders
CloseCall America, Inc.

We have audited the accompanying balance sheets of CloseCall America, Inc. (the Company) as of December 31, 2003 and 2002, and the related statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CloseCall America, Inc. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 the 2002 financial statements have been restated.

Ernst + Young LLP

April 2, 2004

CloseCall America, Inc.

Balance Sheets

	December 31 2003	December 31 2002 (Restated – see Note 2)
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,649,470**	$ 3,348,001
Restricted cash	**860,000**	260,000
Accounts receivable, less allowance of $372,315 and $539,816 in 2003 and 2002, respectively	**1,484,364**	1,452,345
Unbilled accounts receivable	**2,012,292**	1,605,621
Inventory	**13,382**	23,605
Prepaid expenses and other current assets	**614,085**	34,071
Total current assets	**6,633,593**	6,723,643
Office furniture and equipment	**625,306**	327,500
Accumulated depreciation and amortization	**(226,503)**	(132,416)
	398,803	195,084
Software development costs, net accumulated amortization of $27,216	**230,707**	–
Intangible assets, net	**2,500**	12,500
Other assets	**157,163**	11,513
Total assets	**$ 7,422,766**	$ 6,942,740

	December 31 2003	2002 (Restated – see Note 2)
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,892,812**	$ 2,963,335
Deferred revenue	**777,744**	649,023
Current portion of capital leases	**7,696**	–
Customer deposits	**98,786**	75,652
Current portion of long-term debt	**55,054**	–
Line of credit	–	1,041,290
Total current liabilities	**4,832,092**	4,729,300
Long-term debt, less current portion	**155,036**	–
Capital leases, less current portion	**34,276**	–
Total liabilities	**5,021,404**	4,729,300
Shareholders' equity:		
Series A convertible preferred stock, $.10 par value; 5,500,000 shares authorized, issued and outstanding (liquidation preference of $550,000)	**550,000**	550,000
Series B convertible preferred stock; $.01 par value; 5,000,000 authorized, issued and outstanding (liquidation preference of $50,000)	**50,000**	50,000
Series C convertible preferred stock; $.01 par value; 21,000,000 shares authorized, and 13,438,682 shares issued and outstanding in 2003 and 2002 (liquidation preference of $8,063,210 in 2003 and 2002)	**134,387**	134,387
Common stock, $.0001 par value; 70,000,000 shares authorized; 4,326,460 shares issued and outstanding in 2003 and 2002	**433**	433
Due from shareholders	**(100)**	(100)
Additional paid-in capital	**8,171,336**	8,147,076
Accumulated deficit	**(6,504,694)**	(6,668,356)
Total shareholders' equity	**2,401,362**	2,213,440
Total liabilities and shareholders' equity	**$ 7,422,766**	$ 6,942,740

See accompanying notes.

CloseCall America, Inc.

Statements of Operations

	Year ended December 31 2003	2002 (Restated – see Note 2)
Service revenues	**$ 24,353,746**	$ 20,725,013
Cost of revenues	**13,742,826**	11,117,699
Gross profit	**10,610,920**	9,607,316
Operating expenses:		
Salaries and benefits	**2,873,754**	2,660,499
Depreciation and amortization	**131,303**	77,332
Advertising and promotion	**3,180,974**	2,869,831
Rent	**193,924**	131,508
Communications	**744,451**	736,003
Legal	**449,124**	228,748
Administrative fees	**1,661,360**	1,524,903
Bad debts	**587,321**	817,202
Other	**536,686**	501,547
Total operating expenses	**10,358,897**	9,547,573
Income from operations	**252,023**	59,743
Other income (expense):		
Other expense	**(104,435)**	–
Interest expense	**(8,377)**	(41,360)
Interest and investment income	**24,451**	52,098
	(88,361)	10,738
Net income	**$ 163,662**	$ 70,481

See accompanying notes.

CloseCall America, Inc.

Statements of Shareholders' Equity

	Series A convertible preferred stock	Series B convertible preferred stock	Series C convertible preferred stock	Common Stock	Due From Shareholders	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
Balance at December 31, 2001	$ 550,000	$ 50,000	$ 134,043	$ 431	$ (100)	$ 8,070,212	$ (6,738,837)	$2,065,749
Exercise of options to purchase 20,000 shares of Class A common stock	–	–	–	2	–	198	–	200
Issuance of 34,375 shares of Series C preferred stock	–	–	344	–	–	34,031	–	34,375
Stock compensation from stock option grants	–	–	–	–	–	42,635	–	42,635
Net income (restated – see Note 2)	–	–	–	–	–	–	70,481	70,481
Balance at December 31, 2002 (restated)	550,000	50,000	134,387	433	(100)	8,147,076	(6,668,356)	2,213,440
Stock compensation from stock option grants	–	–	–	–	–	**24,260**	–	**24,260**
Net income	–	–	–	–	–		**163,662**	**163,662**
Balance at December 31, 2003	**$ 550,000**	**$ 50,000**	**$ 134,387**	**$ 433**	**$ (100)**	**$ 8,171,336**	**$ (6,504,694)**	**$2,401,362**

See accompanying notes.

CloseCall America, Inc.

Statements of Cash Flows

	Year ended December 31 2003	Year ended December 31 2002 (Restated – see Note 2)
Operating activities		
Net income	**$ 163,662**	$ 70,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**131,303**	77,332
Non-cash compensation expense	**24,260**	42,635
Bad debts	**587,321**	817,202
Other	**–**	3,542
Changes in operating assets and liabilities:		
Accounts receivable	**(619,342)**	(1,822,836)
Unbilled accounts receivable	**(406,671)**	(380,377)
Inventory	**10,223**	(23,605)
Prepaid expenses and other current assets	**(580,014)**	19,351
Accounts payable and accrued expenses	**929,477**	838,542
Deferred revenue	**128,721**	384,637
Customer deposits	**23,134**	56,585
Net cash provided by operating activities	**392,074**	83,489
Investing activities		
Purchases of property and equipment	**(253,996)**	(124,365)
Proceeds from sale of fixed assets	**–**	3,000
Software development costs	**(257,923)**	–
Increase in other assets	**(145,650)**	–
Change in restricted cash	**(600,000)**	90,000
Net cash used in investing activities	**(1,257,569)**	(31,365)
Financing activities		
Proceeds from stock options exercised	**–**	200
Proceeds from issuance of Series C preferred stock	**–**	34,375
Proceeds from issuance of short-term debt	**245,312**	820,581
Repayments of short-term debt	**(1,076,510)**	(129,307)
Payments on capital leases	**(1,840)**	(2,249)
Net cash provided by (used in) financing activities	**(833,038)**	723,600
Net change in cash and cash equivalents	**(1,698,533)**	775,724
Cash and cash equivalents at beginning of year	**3,348,001**	2,572,277
Cash and cash equivalents at end of year	**$ 1,649,470**	$ 3,348,001

See accompanying notes.

CloseCall America, Inc.

Notes to Financial Statements

December 31, 2003

1. Organization and Summary of Significant Accounting Policies

Organization

CloseCall America, Inc. (the Company) was incorporated in Maryland on March 1, 1999. The Company provides telecommunication services to targeted businesses and consumers on community calls for which they previously paid local tolls or long-distance fees. Services include local, long-distance and wireless calling, Internet access and paging.

Risks and Uncertainties

Future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cash flows and cause actual results to vary materially from historical results include, but are not limited to:

- Increased price competition in local and long-distance services and overall competition within the telecommunications industry.
- Changes in government policy, regulation and enforcement or adverse judicial or administrative interpretations and rulings relating to regulations and enforcement, including, but not limited to, changes that affect the continued availability of the unbundled network element platform of the local exchange carrier's network.
- Attrition in the number of end users.
- Interruption in the Company's network and information systems.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Restricted Cash

The Company is required to maintain letters of credit collateralized by cash as additional security for the performance of obligations under certain service agreements. The cash collateral is restricted and is not available for the Company's general working capital needs. The letters expire in 2004. At December 31, 2003 and 2002, the restricted cash was $860,000 and $260,000, respectively.

Concentration of Credit Risk

The Company maintains its cash and cash equivalents in bank deposit accounts, which at times may exceed federally insured limits. The Company generally does not have a significant concentration of credit risk with respect to trade accounts receivable, due to the large number of end users comprising the Company's customer base.

The Company receives a substantial amount of its telecommunications services from one vendor. This vendor represented 42% and 56% of cost of revenues for the years ended December 31, 2003 and 2002, respectively. As of December 31, 2003 and 2002, accounts payable to this vendor was $1,026,937 and $744,325, respectively.

Accounts Receivable

Accounts receivable are generally due within 30 days and collateral is not required. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments to reduce accounts receivable and unbilled receivables to their expected net realizable value. The Company estimates the amount of the required allowance based on a specific analysis of past due balances and by analyzing historical bad debt trends. Past due status is based on how recently payments have been received by customers. Actual collection experience has not varied significantly from estimates, due primarily to credit policies and collection experience.

1. Organization and Summary of Significant Accounting Policies (continued)

Unbilled Accounts Receivable

Unbilled accounts receivable represents amounts due from customers for which billing statements have not been generated and sent to the customers.

Inventory

Inventory consists of wireless phones, parts and accessories held for resale recorded at the lower of first-in, first-out cost or market.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 years for certain computer equipment and software to 7 years for furniture and fixtures and telephone equipment.

Computer Software Development Costs

The company capitalizes computer software developed for internal use and amortizes these costs over an estimated useful life of 5 years.

Revenue Recognition

The Company derives its revenues from local, long-distance and wireless calling, Internet access and paging. The Company recognizes revenue from these services in the period in which subscribers use the related service.

Deferred revenue represents the unearned portion of local, wireless and Internet services that are billed one and two months in advance, respectively.

When providing wireless service to its customers, the company typically enters into a 24 month contract with these customers. Revenue for these contracts is not earned until the service is provided to the customer. At December 31, 2003, unearned wireless contracts totaled $1,928,790.

1. Organization and Summary of Significant Accounting Policies (continued)

Advertising and Promotion

The Company's policy is to expense the cost of advertising as incurred. Advertising and promotion includes costs related to both radio and print media, including magazines, newspapers and industry publications. Advertising and promotion expense was $3,180,974 and $2,869,831 for the years ended December 31, 2003 and 2002, respectively.

Income Taxes

The Company provides for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Stock-Based Compensation

The Company has one stock-based employee compensation plan, which is more fully described in Note 9. The Company records compensation expense for all stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees* (APB No. 25) and related interpretations. Under APB No. 25, compensation expense is recorded over the vesting period to the extent that the fair value of the underlying stock on the date of grant exceeds the exercise or acquisition price of the stock or stock-based award. If the Company had applied the provisions of Financial Accounting Standards Board Statement No. 123, *Accounting for Stock-Based Compensation* (Statement 123), to stock-based employee compensation using the minimum value method rather than the intrinsic value method, the resulting stock compensation expense would have been insignificant to the reported net income for the years ended December 31, 2003 and 2002. The minimum value method calculates the fair value of options as the excess of the estimated fair value of the underlying stock at the date of grant over the present value of both the exercise price and the expected dividend payments, each discounted at the risk free rate, over the expected life of the option.

1. Organization and Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

The Company records compensation expense for stock options granted to consultants at the fair value of the services received or the fair value of the stock options issued, whichever is more reliably measurable. For option grants for which the fair value of the stock options is more reliably measurable than the fair value of the services received, the fair value of the stock options is measured at the measurement date using the Black-Scholes option valuation model. The measurement date is the date at which a commitment for performance to earn the equity instruments is reached or the date at which the performance is complete, whichever is earlier.

2. Restatement

During 2003, the Company discovered an error in recording deferred revenue on telecommunication services at December 31, 2002. The impact of this error was to overstate service revenues by $274,684 in the 2002 statement of operations and to understate deferred revenue in the 2002 balance sheet. The accompanying financial statements have been restated to reflect the correction of this error.

3. Supplemental Disclosure of Cash Flow Information

The Company paid interest of $11,832 and $37,905 for the years ended December 31, 2003 and 2002, respectively. The Company has not paid any income taxes to date.

In 2001, the company leased certain equipment under a capital lease agreement. In 2002, the capital lease was cancelled and converted to an operating lease. The Company recorded a noncash loss from the cancellation of the capital lease of $3,542.

4. Shareholders' Equity

Common Stock

The Company is authorized to issue 70,000,000 shares of common stock. Each share of common stock shall entitle the holder to one vote on all matters upon which shareholders are entitled to vote.

4. Shareholders' Equity (continued)

Preferred Stock

The Company is authorized to issue 31,500,000 shares of preferred stock.

Series A convertible preferred stock (Series A) is superior to common as to redemption, payment upon liquidation, and dividends. Dividends are not cumulative and there is a mandatory conversion to common stock upon payment of dividends aggregating the par value of the underlying stock or upon the Company filing a registration statement and the registration statement being declared effective by the Securities and Exchange Commission (SEC). The Series A holders may convert their shares at any time at the rate of one share of common stock for each share of Series A, subject to certain adjustments.

Each share of Series A entitles the holder to one vote on all matters upon which the shareholders are entitled to vote.

Series B convertible preferred stock (Series B) is on parity with Series A as to voting rights, preference on redemption and payment upon liquidation. Dividend payments for Series B are paid based on a ratio of one to every ten shares of Series A. Dividends are not cumulative. The Series B also carries a mandatory conversion to common stock upon payment of dividends aggregating the par value of the underlying stock or upon the Company filing a registration statement and the registration statement being declared effective by the SEC. The Series B holders may convert their shares at any time at the rate of one share of common stock for each share of Series B.

Series C convertible preferred stock (Series C) is on parity with Series A and B as to voting rights and preference on redemption. Dividend payments for Series C are paid based on a ratio of one to every sixty shares of Series A. Dividends are not cumulative. Upon liquidation, Series C holders will receive $0.60 per share. The Series C also carries a mandatory conversion to common stock upon the completion of an initial public offering with net proceeds in excess of $7,500,000 at a minimum offering price of $1.20 per share. The Series C holders may convert their shares at any time at the rate of one share of common stock for each share of Series C.

4. Shareholders' Equity (continued)

Preferred Stock (continued)

During 2000, in connection with the issuance of the Series C stock, 2,680,861 warrants (valued at $1,233,196) were issued to the placement agent. The stock purchase warrants issued in connection with the Series C expire the earlier of 10 years after their date of issuance or three years after the closing of an initial public offering, with an exercise price of $0.60 per share.

The Company has reserved the following shares as of December 31, 2003:

- 2,680,861 shares of Series C to be issued upon the exercise of warrants
- 2,516,676 shares of common stock to be issued upon the exercise of options granted
- 5,500,000 shares of common stock to be issued upon conversion of Series A
- 5,000,000 shares of common stock to be issued upon conversion of Series B
- 16,119,540 shares of common stock to be issued upon conversion of Series C (including outstanding Series C warrants)

5. Line of Credit

During 2001 the Company entered into a working capital line of credit agreement for a maximum borrowing amount of $2 million. The loan bears interest, payable monthly at the one-month LIBOR rate plus 2.2% (3.6% at December 31, 2002). The Company pledged cash on deposit with the bank as collateral for the loan. As of December 31, 2002, $1,041,290 of the line of credit was outstanding. The line of credit was repaid during 2003.

6. Long Term Debt

Long term debt consists of the following:

Note payable to Bank, due $4,317 per month, including interest at 4.3%, and maturing April 2007; secured by cash pledged as collateral.	$ 160,579
Note payable to Bank, due $1,000 per month, including interest at 6%, and maturing September 2008; secured by the vehicle.	49,511
	210,090
Less: Current maturities	(55,054)
	$ 155,036

Principal maturities of long term debt are as follows:

Year ending December 31	
2004	$ 55,054
2005	57,642
2006	60,353
2007	28,265
2008	8,776
	$ 210,090

7. Leases

In 2003, the company leased certain equipment under capital lease arrangements. The Company also leases a building and various equipment under noncancelable operating leases. The building lease expires in 2007 and contains options to renew for additional terms of two years at the prevailing market rate. The equipment lease expires in 2007. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Property and equipment includes the following amount for leases that have been capitalized at December 31, 2003:

Computer and mailing equipment	$ 43,812
Less accumulated amortization	(3,129)
	$ 40,683

7. Leases (continued)

Amortization of leased assets is included in depreciation and amortization expense.

Future minimum payments under noncancelable operating leases with initial terms of one year or more consist of the following for the years ending December 31:

	Capital Leases	Operating Leases
2004	$ 10,508	$ 255,255
2005	10,508	258,956
2006	10,508	262,671
2007	10,508	47,034
2008	7,882	–
Total minimum lease payments	49,914	$ 823,916
Less: Amounts representing interest		(7,942)
Less: Current portion		(7,696)
Long term capital lease obligation		$ 34,276

8. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred tax assets (liabilities) are as follows:

	December 31	
	2003	**2002**
Deferred tax assets:		
Allowance for bad debts	**$ 143,788**	$ 208,477
Charitable contributions	**7,242**	–
Officer bonus accrual	–	10,361
Net operating loss carryforwards	**2,320,147**	2,310,322
	2,471,147	2,529,160
Deferred tax liabilities:		
Depreciation of fixed assets	**(50,415)**	(22,943)
Total net deferred tax assets	**2,420,762**	2,506,217
Valuation allowance	**(2,420,762)**	(2,506,217)
Net deferred taxes	**$ –**	$ –

8. Income Taxes (continued)

The Company has net operating loss carryforwards for income tax purposes of approximately $6,007,631 at December 31, 2003 which expire beginning in 2015. The Company's reported income taxes in 2003 and 2002 varied from the amount calculated by applying the federal statutory income tax rate to pretax net loss due principally to permanent differences and the recording of a valuation allowance against the Company's net deferred tax assets.

9. Stock Options

The Board of Directors has authorized the grant of nonqualified options to purchase up to 3,000,000 shares of common stock to eligible employees, nonemployees and directors of the Company. A summary of stock option activity and related information for the years ended December 31, 2003 and 2002 is as follows:

	2003		**2002**	
	Options	**Weighted-Average Exercise Price**	**Options**	**Weighted-Average Exercise Price**
Outstanding—beginning of year	**2,781,676**	**$0.39**	1,818,396	$0.37
Granted	**425,000**	**0.75**	1,399,000	0.44
Exercised	**–**	**–**	(20,000)	0.01
Forfeited	**(690,000)**	**0.50**	(415,720)	0.51
Outstanding—end of year	**2,516,676**	**$0.42**	2,781,676	$0.39
Exercisable at end of year	**1,564,176**	**$0.52**	1,391,675	$0.55
Weighted-average fair value of options granted during the year		**$ –**		$0.03
Weighted-average remaining contractual life of outstanding options (years)		**$8.10**		$8.78
Range of exercise prices		**$0.01 – $0.75**		

9. Stock Options (continued)

Exercise Prices	Options Outstanding	Weighted-Average Exercise Prices of Outstanding Options	Weighted-Average Remaining Contractual Life of Outstanding Options	Exercisable Options	Weighted-Average Exercise Prices of Exercisable Options
$0.01	59,026	$0.01	7.32	49,026	$0.01
0.20	375,000	0.20	8.49	187,500	0.20
0.50	1,307,650	0.50	7.44	905,150	0.50
0.75	775,000	0.75	9.08	422,500	0.75

The options vest over periods ranging from zero to twenty-four months. The options expire ten years from the date of issuance.

10. Retirement Plan

In 2003, the Company began a defined contribution retirement plan, which allows substantially all employees of the Company to contribute a percentage of their compensation and also provides for certain matching and other discretionary contributions. The Company's matching contribution to the plan in 2003 was $67,747.

11. Commitments and Contingencies

The Company has a purchase commitment with a service provider to purchase a minimum of $250,000 of local and long distance access a month through April 2006.

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims from customers, suppliers and former employees. Although it is not possible to accurately estimate the extent of potential costs and losses, if any, management believes, but can provide no assurance, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position of the Company.

MOBILEPRO CORP. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

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Certified Public Accountants

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Mobilepro Corp. and Subsidiaries
Bethesda, Maryland

We have audited the accompanying consolidated balance sheets of Mobilepro Corp. and Subsidiaries as of March 31, 2005 and 2004 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mobilepro Corp. and Subsidiaries as of March 31, 2005 and 2004 and the results of its operations, changes in stockholders' equity (deficit) and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BAGELL, JOSEPHS & COMPANY, L.L.C.
BAGELL, JOSEPHS & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey
May 20, 2005

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2004

ASSETS

	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	$ 4,669,787	$ 1,955,607
Restricted cash	429,954	-
Accounts receivable, net	12,658,313	139,553
Investments, at cost	450,000	-
Prepaid expenses and other current assets	2,061,697	10,983
Total Current Assets	20,269,751	2,106,143
Fixed assets, net of depreciation	13,193,056	136,498
OTHER ASSETS		
Other assets	1,277,897	2,837
Deferred financing fees, net of amortization	1,026,667	-
Customer lists, net of amortization	114,311	-
Intangible assets, net of amortization	3,343,628	-
Goodwill, net of impairment	33,597,621	1,112,695
	39,360,124	1,115,532
TOTAL ASSETS	$ 72,822,931	$ 3,358,173

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
MARCH 31, 2005 AND 2004

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	2005	2004
CURRENT LIABILITIES		
Current portion of long-term debt and notes payable	$ 19,035,263	$ 63,633
Notes payable under the Standby Equity Distribution Agreement	6,500,000	-
Notes payable under the Equity Line of Credit	-	1,800,000
Deferred revenue	3,470,731	58,202
Accounts payable and accrued expenses	19,863,088	589,819
Total Current Liabilities	48,869,082	2,511,654
LONG-TERM LIABILITIES		
Long-term debt and notes payable, net of current maturities	999,196	560,200
Total Long-Term Liabilities	999,196	560,200
TOTAL LIABILITIES	49,868,278	3,071,854
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, $.001 par value, 5,035,425 shares authorized and 35,378 shares issued and outstanding at March 31, 2005 and 2004	35	35
Common stock, $.001 par value, 600,000,000 shares authorized and 355,918,011 and 220,493,159 shares issued and outstanding at March 31, 2005 and 2004	355,918	220,493
Additional paid-in capital	43,195,250	15,902,619
Accumulated deficit	(21,196,550)	(15,836,828)
Minority interest	600,000	-
Total Stockholders' Equity (Deficit)	22,954,653	286,319
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 72,822,931	$ 3,358,173

The accompanying notes are and integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
REVENUES	$ 46,508,144	$ 311,355
COSTS OF REVENUES	22,551,240	117,349
GROSS PROFIT	23,956,904	194,006
OPERATING EXPENSES		
Professional fees and compensation expenses	12,555,710	1,577,782
Advertising and marketing expenses	1,610,285	36,995
Research and development costs	30,324	1,620
General and administrative expenses	10,018,298	186,599
Office rent and expenses	952,475	105,142
Travel and entertainment expenses	243,758	48,020
Depreciation and amortization	2,067,213	21,000
Total Operating Expenses	27,478,063	1,977,158
LOSS BEFORE OTHER INCOME (EXPENSE)	(3,521,159)	(1,783,152)
OTHER INCOME (EXPENSE)		
Amortization of discount and interest on conversion of debt	(375,150)	(353,342)
Interest income	17,210	-
Other income	111,089	-
Interest expense	(1,591,712)	(21,350)
Total Other Income (Expense)	(1,838,563)	(374,692)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(5,359,722)	(2,157,844)
Provision for income taxes	-	-
NET LOSS APPLICABLE TO COMMON SHARES	$ (5,359,722)	$ (2,157,844)
NET LOSS PER BASIC AND DILUTED SHARES	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	289,933,904	111,591,658

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	Preferred Stock		Common Stock		Additional Paid-In Capital	Minority Interest	Accumulated Deficit	Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
BALANCE - MARCH 31, 2003	35,378	$ 35	30,175,122	$ 30,175	$ 11,538,979	$ -	$ (13,678,984)	$ (2,109,795)
Shares issued as compensation	-	-	350,000	350	8,400	-	-	8,750
Shares issued under MOU agreement	-	-	3,500,000	3,500	64,750	-	-	68,250
Shares issued in conversion of debentures	-	-	16,130,887	16,131	190,454	-	-	206,585
Shares issued in conversion of advances	-	-	17,057,971	17,058	171,942	-	-	189,000
Shares issued in acquisition of DFW Internet Services, Inc.	-	-	18,761,726	18,762	231,238	-	-	250,000
Shares issued under $10 million Equity Line of Credit	-	-	134,517,453	134,517	3,322,240	-	-	3,456,757
Accounts payable settlements with vendors	-	-	-	-	374,616	-	-	374,616
Net loss for the year ended March 31, 2004	-	-	-	-	-	-	(2,157,844)	(2,157,844)
BALANCE - MARCH 31, 2004	35,378	35	220,493,159	220,493	15,902,619	-	(15,836,828)	286,319
Shares issued under $10 million Equity Line of Credit	-	-	10,000,000	10,000	4,031,691	-	-	4,041,691
Shares issued pursuant to settlement agreement	-	-	2,000,000	2,000	88,000	-	-	90,000
Shares issued for services related to SB-2 filing	-	-	8,000,000	8,000	1,752,000	-	-	1,760,000
Shares issued for cash	-	-	421,037	421	23,578	-	-	23,999
Shares issued for consulting	-	-	100,000	100	14,900	-	-	15,000
Shares issued for cash	-	-	2,000,000	2,000	56,000	-	-	58,000
Shares issued in acquisition of ShreveNet, Inc.	-	-	878,816	879	189,121	-	-	190,000
Shares issued for cash	-	-	25,000	25	2,475	-	-	2,500
Shares issued in acquisition of Affinity Telecom	-	-	5,000,000	5,000	-	-	-	5,000
Shares issued in acquisition of CloseCall America, Inc.	-	-	39,999,999	40,000	9,960,000	-	-	10,000,000
Warrants issued in acquisition of Davel Communications, Inc.	-	-	-	-	333,500	-	-	333,500
Terminated put agreement with prior Affinity Telecom shareholders	-	-	-	-	995,000	-	-	995,000
Shares issued for consulting	-	-	500,000	500	15,500	-	-	16,000
Shares issued in acquisition of the assets of Web One, Inc.	-	-	1,500,000	1,500	298,500	-	-	300,000
Terminated put agreement with prior DFW Internet Services, Inc. shareholders	-	-	-	-	250,000	-	-	250,000
Shares issued under $100 million Standby Equity Distribution Agreement	-	-	65,000,000	65,000	9,282,366	-	-	9,347,366
Minority interest in Davel acquisition	-	-	-	-	-	600,000	-	600,000
Net loss for the year ended March 31, 2005	-	-	-	-	-	-	(5,359,722)	(5,359,722)
BALANCE - MARCH 31, 2005	35,378	$ 35	355,918,011	$ 355,918	$ 43,195,250	$ 600,000	$ (21,196,550)	$ 22,954,653

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (5,359,722)	$ (2,157,844)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,067,213	21,000
Common stock issued for services and compensation	31,000	77,000
Investments received for miscellaneous services	(450,000)	-
Amortization of discount and interest on conversion of debt	375,150	353,342
Changes in assets and liabilities		
(Increase) decrease in other current assets	916,786	(1,465)
(Increase) decrease in accounts receivable	(307,335)	17,215
(Increase) in other assets	(384,910)	-
Increase (decrease) in deferred revenue	609,979	(8,222)
Increase (decrease) in accounts payable and and accrued expenses	3,155,408	(647,536)
Total adjustments	6,013,291	(188,666)
Net cash provided by (used in) operating activities	653,569	(2,346,510)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for acquisitions	(32,960,500)	(350,000)
Cash received in acquisition of subsidiaries	5,827,223	47,756
Acquisition of intangible assets	(1,192,608)	
Capital expenditures, net	(2,109,338)	(999)
Net cash (used in) investing activities	(30,435,223)	(303,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common stock issuances	84,499	-
Borrowings under the equity line of credit, the standby equity distribution agreement and other convertible debentures	17,700,000	4,785,000
Payments of other convertible debentures	-	(50,000)
Change in convertible debentures - officers, net	-	(97,617)
Proceeds (payments) of long-term debt, net	14,711,335	(38,738)
Net cash provided by financing activities	32,495,834	4,598,645

The accompanying notes are an integral part of the consolidated financial statements.

MOBILEPRO CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,714,180	1,948,892
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,955,607	6,715
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,669,787	$ 1,955,607
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 533,050	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Issuance of common stock for:		
Conversion of notes payable to common stock	$ 13,000,000	$ 3,145,000
Conversion of other convertible debentures	$ -	$ 206,585
Conversion of advances and payables to common stock	$ -	$ 563,616
Deferred financing fees paid in common stock	$ 1,760,000	$ -
Acquisition of DFW Internet Services, Inc.	$ -	$ 500,000
Liability for common stock to be issued	$ 300,000	$ -
Assignment of bridge debentures receivable	$ 1,000,000	$ -
Goodwill recorded in acquisitions	$ 32,785,618	$ 525,185

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

Mobilepro Corp., a Delaware corporation, as of June 1, 2001 merged into Craftclick.com, Inc. with Craftclick being the surviving corporation and the Certificate of Incorporation and By-Laws of Craftclick being the constituent documents of the surviving corporation. In July 2001, the Company changed its name to Mobilepro Corp. ("Mobilepro" or " Company").

On March 21, 2002, Mobilepro entered into an Agreement and Plan of Merger with NeoReach, Inc. ("Neoreach"), a private Delaware company, pursuant to which a newly formed wholly owned subsidiary of Mobilepro merged into NeoReach in a tax-free transaction. NeoReach was a development stage company designing, developing and deploying various wireless technologies and solutions. The merger was consummated on April 23, 2002. As a result of the merger, NeoReach became a wholly owned subsidiary of Mobilepro. On April 23, 2002, the Company issued 12,352,129 shares of its common stock and no cash pursuant to the Agreement. The Board of Directors determined the consideration to be a fair compensation to the NeoReach shareholders. The issued shares were valued at a fair value of $6,546,628, based on the last trading price of $0.53 per share and assuming there was actual active trading of the stock at that time.

On March 12, 2003, the Company amended its Certificate of Incorporation and pursuant to a board resolution, increased the authorized level of common stock from 50,000,000 to 600,000,000. The Board of Directors of the Company subsequently authorized an increase in the number of shares authorized under its 2001 Equity Performance Plan from 1,000,000 to 6,000,000.

On January 19, 2004, the Company consummated a Stock Purchase Agreement with DFW Internet Services, Inc. A newly formed, wholly-owned subsidiary of Mobilepro merged into DFW Internet Services, Inc. in a tax-free exchange transaction. As a result of the merger, DFW Internet Services, Inc. is now a wholly owned subsidiary of Mobilepro. In March 2004, the Company issued 18,761,726 shares of common stock to the holders of DFW Internet Services, Inc. in a share exchange for 100% of DFW Internet Services, Inc. common stock. The issued shares were valued at a fair value of $500,000 based on the average 20-day closing price ($0.02665 per share) prior to January 19, 2004.

In March 2004, DFW Internet Services, Inc. acquired Internet Express, Inc., an Internet service provider in southeast Texas for $650,000 in cash and promissory notes.

In April 2004, DFW Internet Services, Inc. acquired August.net Services LLC, an Internet service provider in Texas for $1,730,000 in cash and promissory notes.

In June 2004, DFW Internet Services, Inc. acquired ShreveNet, Inc., an Internet service provider in Louisiana for $1,250,000 in cash and common stock. The issued shares were valued at a fair value of $190,000 based on the average 20-day closing price ($0.2162 per share) prior to June 3, 2004. The Company issued the common stock in August 2004.

In June 2004, DFW Internet Services, Inc. acquired certain assets of Crescent Communications, Inc., an Internet service provider in Houston for $1,194,767 in cash and a promissory note.

In June 2004, the Company acquired US1 Telecommunications, Inc., a long distance provider in Kansas, for $200,000 in cash and conditional promissory notes.

In July 2004, DFW Internet Services, Inc. acquired Clover Computer Corporation, a Coshocton, Ohio-based Internet services provider with operations in several Ohio cities, for $1,250,000 in cash and promissory notes.

In July 2004, DFW Internet Services, Inc. acquired Ticon.net, a Janesville, Wisconsin-based Internet service provider with operations in Janesville and Milwaukee, for $1,000,000 in cash and promissory notes.

In August 2004, the Company acquired Affinity Telecom, a Michigan-based Competitive Local Exchange Carrier ("CLEC") and long distance carrier. The Company paid $3,440,000 in cash, notes, and a convertible note. The Agreement and Plan of Merger by and between the Company and Affinity Telecom was amended as of December 2004 due to certain disputes regarding the financial condition of Affinity Telecom. The Amendment resulted in a reduction in the aggregate consideration the Company paid by approximately $927,000.

In August 2004, DFW Internet Services, Inc. acquired the customer base, corporate name and certain other assets of Web One, Inc., a Kansas City, Missouri-based Internet service and web-hosting provider for $2,000,000 in cash and common stock. In March 2005, a subsequent post closing adjustment resulted in the Company recognizing a reduction in the aggregate consideration the Company paid by $40,000.

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

In September 2004, DFW Internet Services, Inc. acquired World Trade Network, Inc. an Internet services provider based in Houston, Texas, for $1,700,000 in cash and promissory notes. In March 2005, a subsequent post closing adjustment resulted in the Company recognizing a reduction in the aggregate consideration the Company paid by $500,000.

In September 2004, DFW Internet Services, Inc. acquired The River Internet Access Co. an Internet services provider based in Tucson, Arizona, for $2,467,204 in cash and promissory notes.

In October 2004, the Company acquired CloseCall America, Inc. a Maryland-based CLEC, offering local, long distance, 1.800CloseCall prepaid calling cards, wireless, dial-up and DSL Internet telecommunications services. The purchase price included cash of $8,000,000 and 39,999,999 shares of common stock valued at $10,000,000 plus warrants to purchase 3,500,000 additional shares of common stock. The 39,999,999 shares are restricted under SEC Rule 144 and the 2,500,000 and 1,000,000 warrants issued have strike prices of $.30 and $.35 per share, respectively.

In November 2004, in connection with our acquisition of 100% of Davel Communication, Inc.'s ("Davel") senior secured debt in the approximate principal amount of $103.1 million, a $1.3 million note payable by Davel to one of its secured lenders, and the assignment to Mobilepro of approximately 95.2% of the common stock of Davel, we agreed to purchase the remaining issued and outstanding shares of Davel. Davel is an owner and operator of approximately 38,000 payphones in approximately 25,000 locations in 45 states and the District of Columbia. The Company acquired 100% of Davel's approximately $104.4 million in total secured debt and 95.2% of Davel's common stock for a price of $14.33 million. The purchase price included cash of $14,000,000 plus warrants to purchase up to 5,000,000 shares of common stock at the price of $0.30 per share. Additionally, the Company agreed to purchase the remaining 4.8% of Davel's common stock at a minimum price of $0.015 per share. In May 2005, Davel fulfilled this obligation by executing a reverse stock split and paying a cash purchase price of $450,000 for fractional shares held by the minority stockholders.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains cash and cash equivalents with a financial institution that exceeds the limit of insurability under the Federal Deposit Insurance Corporation. However, due to management's belief in the financial strength of Bank of America, management does not believe the risk of keeping deposits in excess of federal deposit limits at Bank of America to be a material risk.

Restricted Cash

The Company is required to maintain letters of credit collateralized by cash as additional security for the performance of obligations under certain service agreements. In addition, cash is held as collateral for a note payable to the bank for an expansion loan as disclosed in Note 8. The cash collateral is restricted and is not available for the Company's general working capital needs. The letters of credit expire in calendar 2005. At March 31, 2005 and 2004, restricted cash was $429,954 and $0, respectively.

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

The Company in January 2004 emerged from the development stage with the acquisition of DFW Internet Services, Inc. The Company, as it relates to Internet services, recognizes income when the services are rendered and collection is reasonably assured and recognizes deferred revenue as a liability on services the Company pre-bills.

Revenue derived from local, long-distance and wireless calling, and Internet access is recognized in the period in which subscribers use the related service. Deferred revenue represents the unearned portion of local, wireless and internet services that is billed in advance.

Revenue from product sales that contain embedded software is recognized in accordance with the provisions of the American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition."

Revenue from product sales is recognized based on the type of sale transaction as follows:

Shipments to Credit-Worthy Customers with No Portion of the Collection Dependent on Any Future Event: Revenue is recorded at the time of shipment.

Shipments to a Customer without Established Credit: These transactions are primarily shipments to customers who are in the process of obtaining financing and to whom the Company has granted extended payment terms. Revenues are deferred (not recognized) and no receivable will be recorded until a significant portion of the sales price is received in cash.

Shipments where a portion of the Revenue is Dependent upon Some Future Event: These consist primarily of transactions involving value-added resellers to an end user. Under these agreements, revenues are deferred and no receivable will be recorded until a significant portion of the sales price is received in cash. On certain transactions, a portion of the payment is contingent upon installation or customer acceptance.

Upon non-acceptance, the customer may have a right to return the product. The Company does not recognize revenue on these transactions until these contingencies have lapsed.

Certain of the Company's product sales are sold with maintenance/service contracts. The Company allocates revenues to such maintenance/service contracts based on vendor-specific objective evidence of fair value as determined by the Company's renewal rates. Revenue from maintenance/service contracts are deferred and recognized ratably over the period covered by the contract.

The Company, in addition to its Internet and voice services, from time to time receives miscellaneous revenues. During the years ended March 31, 2005 and 2004, the Company generated $615,000 and $0 in miscellaneous revenues, respectively. The miscellaneous revenue for the year ended March 31, 2005 included $450,000 that was received for services rendered in the form of common stock and is recorded on the consolidated balance sheet as investments at the fair value of the common stock received. The two common stock transactions involved a software company based in Maryland and a specialized electronic assembly prototyping engineering firm in Texas. (See Notes 2, 3, 10 and 14)

Davel derives its payphone revenues from two principal sources: coin calls and non-coin calls. Coin calls represent calls paid for by callers with coins deposited into a payphone. Coin call revenues are recorded in the amount of coins deposited in the payphones and in the period deposited. Revenue from non-coin calls, that includes dial-around compensation, and operator service revenue, is recognized in the period in which the customer places the call. Coin call and non-coin call revenues recorded and recognized are ultimately reconciled to actual cash receipts. Any variation between recorded revenue and receipt is accounted for at the time of receipt.

Operator Service Revenue: Non-coin operator service calls are serviced by independent operator service providers. These carriers assume billing and collection responsibilities for operator-assisted calls originating on Davel's payphone network and pay "commissions" to Davel based upon gross revenues. Davel recognizes operator service revenues in amounts equal to the commission that it is entitled to receive during the period the service is rendered.

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Dial-around Revenue: Davel also recognizes non-coin dial-around revenues from calls that are dialed from its payphones to gain access to a long distance company or to make a traditional "toll free" call (dial-around calls). Revenues from dial-around calls are recognized based on estimates using the Company's historical collection experience because a) the interexchange carriers ("IXCs") have historically paid for fewer dial-around calls than are actually made (See Note 18) and b) the collection period for dial-around revenue is generally four to six months but can be in excess of a year. Davel's estimate of revenue is based on historical analyses of calls placed versus amounts collected. These analyses are updated on a periodic basis. Recorded amounts are adjusted based on actual amounts received and estimates are updated once the applicable dial-around compensation has been collected.

Income Taxes

Effective July 14, 2000, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes". The statement requires an asset and liability approach for financial accounting and reporting for income taxes, and the recognition of deferred tax assets and liabilities for the temporary differences between the financial reporting bases and tax bases of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. There no federal or material state income taxes paid or due for the years ended March 31, 2005 and 2004, respectively. (See Note 17)

Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments.

Advertising Costs

The Company expenses the costs associated with advertising as incurred. Advertising and promotional expenses were approximately $1,610,285 and $36,995 for the years ended March 31, 2005 and 2004, respectively.

Fixed Assets

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs associated with normal maintenance, repair, and refurbishment of telephone equipment are charged to expense as incurred. The capitalized cost of equipment and vehicles under capital leases is amortized over the lesser of the lease term or the asset's estimated useful life, and is included in depreciation and amortization expense in the consolidated statements of operations.

Uninstalled payphone equipment consists of replacement payphones and related equipment and is carried at the lower of cost or fair value.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

Location Contracts

Location contracts of $3,066,129 include acquisition costs allocated to location owner payphone contracts and other costs associated with obtaining written and signed location contracts. These assets are amortized on a straight-line basis over their estimated useful lives based on contract terms (generally 5 years). Amortization expense related to location contracts was $253,805 and $-0- for the years ended March 31, 2005 and 2004, respectively. Accumulated amortization as of March 31, 2005 and 2004 was $253,805 and $-0-, respectively.

Reclassifications

Certain amounts in the March 31, 2004 financial statements were reclassified to conform to the March 31, 2005 presentation. The reclassifications in the March 31, 2004 financial statements resulted in no changes to the accumulated deficits.

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts Receivable

The Company conducts business and extends credit based on an evaluation of the customers' financial condition, generally without requiring collateral. Exposure to losses on receivables is expected to vary by customer due to the financial condition of each customer. The Company monitors exposure to credit losses and maintains allowances for anticipated losses considered necessary under the circumstances. The Company has an allowance for doubtful accounts of $529,945 at March 31, 2005 relating to accounts receivable other than dial-around compensation.

Accounts receivable, other than dial-around compensation, are generally due within 30 days and collateral is not required. Unbilled accounts receivable represents amounts due from customers for which billing statements have not been generated and sent to the customers.

Concentrations of Credit Risk

Trade accounts receivable are concentrated with companies in the telecommunications industry. Accordingly, the credit risk associated with the trade accounts receivable will fluctuate with the overall condition of the telecommunications industry. The primary component of accounts receivable relates to the Company's estimates of dial-around revenues as described below. As a result, such estimates are based on the Company's historical collection experience and accounts receivable does reflect a general or specific provision for an allowance for doubtful accounts. During all periods presented, credit losses, to the extent identifiable, were within management's overall expectations.

Segment Information

The Company follows the provisions of Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information". This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making internal operating decisions.

Deferred Financing Fees

The Company, in May 2004, issued 8,000,000 shares of common stock with a value of $1,760,000 in connection with its Standby Equity Distribution Agreement (the "SEDA"). These shares were issued as payment for financing fees to Cornell Capital for issuing the SEDA. The agreement runs for a period of 24 months and the Company will amortize this fee over that period of time. The Company incurred $733,333 in amortization expense for the year ended March 31, 2005. (See Note 9)

Earnings (Loss) per Share of Common Stock

Historical net income (loss) per common share ("EPS") is computed using the weighted average number of common shares outstanding. Diluted earnings per share include additional dilution from common stock equivalents, such as common stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computations of diluted earnings per share for the years ended March 31, 2005 and 2004 because to do so would have been anti-dilutive on a per share basis for the periods presented. The following is a reconciliation of the weighted average shares outstanding for basic and diluted EPS for the years ended:

	March 31, 2005	March 31, 2004
Net loss	$ (5,359,722)	$ (2,157,844)
Weighted-average common shares outstanding (Basic)	289,933,904	111,591,658
Weighted-average common stock equivalents --		
Stock options	–	–
Warrants	–	–
Weighted-average common shares outstanding (Diluted)	289,933,904	111,591,658
Net loss per share, basic and diluted	$ (0.02)	$ (0.02)

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board (the "FASB") issued Statement No. 142, "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board ("APB") Opinion No. 17, "Intangible Assets". It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recorded in the financial statements. The Company has recorded $32,785,618 of goodwill in connection with its acquisitions. The Company has also acquired other intangible assets of certain Internet service providers, CloseCall and Davel. The Company performs its annual impairment test for goodwill at fiscal year-end. As of March 31, 2005, the Company has determined that there is no impairment of its goodwill.

The Company capitalizes computer software development costs and amortizes these costs over an estimated useful life of 5 years.

Investments

On June 29, 2004, the Company entered into a Business Development Agreement with Solution Technology International, Inc. ("STI"), a company based in Maryland, whereby the Company provided services to STI in exchange for a 5% ownership in the company. The value of the investment is $150,000 and is included in the consolidated balance sheet at March 31, 2005. (See Notes 2, 3, 10 and 14)

The Company on August 26, 2004 entered into a Business Development Agreement with Texas Prototypes, a company based in Texas, whereby the Company provided services to Texas Prototypes in exchange for a 5% ownership in the company. The value of the investment is $300,000 and is included in the consolidated balance sheet at March 31, 2005. (See Notes 2, 3, 10 and 14)

Accounts Payable and Accrued Liabilities

	2005	2004
Accounts payable	$ 17,250,586	$ 499,819
Accrued compensation	1,675,124	90,000
Accrued interest expense	937,378	-
Total	$ 19,863,088	$ 589,819

Stock-Based Compensation

Employee stock awards under the Company's compensation plans are accounted for in accordance with ABP Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations. The Company provides the disclosure required by Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation " ("SFAS 123"), and related interpretations. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 and have adopted the enhanced disclosure provisions of Statement of Financial Accounting Standard No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an Amendment of SFAS No. 123" ("SFAS No.148").

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted.

The Company measures compensation expense for its non-employee stock-based compensation under the FASB Emerging

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services". The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Recent Accounting Pronouncements

On October 3, 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), that is applicable to financial statements for fiscal years beginning after December 15, 2001. The FASB's new rules on asset impairment supersede Statement of Financial Accounting Standards 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of ABP Opinion No. 30, "Reporting the Results of Operations." This standard provides a single accounting model for long-lived assets to be disposed of and significantly changes the criteria that would have to be met to classify an asset as held-for-sale. Classification as held-for-sale is an important distinction since such assets are not depreciated and are stated at the lower of fair value or carrying amount. This standard also requires expected future operating losses from discontinued operations to be displayed in the period(s) in which the losses are incurred, rather than as of the measurement date as presently required.

In April 2002, the FASB issued Statement of Financial Accounting Standard No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS No. 145"). This statement rescinds (1) Statement of Financial Accounting Standard No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (SFAS No. 4"), (2) an amendment of that statement, Statement of Financial Accounting Standard No. 44, "Accounting for Intangible Assets of Motor Carriers", and (3) Statement of Financial Accounting Standard No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements". This statement amends Statement of Financial Accounting Standard No. 13, "Accounting for Leases" ("SFAS No. 13") to eliminate inconsistencies between the required accounting for sales-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions. Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 relating to the rescission of SFAS No. 4 were effective for the Company on November 1, 2002, and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 did not have a significant impact on the Company's results of operations or financial position.

In July 2002, the FASB issued Statement of Financial Accounting Standard No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146"). This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with provisions of SFAS No. 146. The adoption of SFAS No. 146 did not have a significant impact on the Company's results of operations or financial position.

In December 2002, the FASB issued SFAS No. 148 that amended SFAS No. 123, to provide alternative methods of transition for entities that voluntarily change to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects on reported net income of accounting policy decisions with respect to stock-based employee compensation. Finally, this statement amends Accounting Principles Board Opinion No. 28, "Interim Financial Reporting", to require disclosure about those effects in interim financial information. SFAS 148 is effective for financial statements covering fiscal years ending after December 15, 2002. The Company will continue to account for stock-based employee compensation using the intrinsic value method of APB No. 25, but has adopted the enhanced disclosure requirements of SFAS 148.

In April 2003, the FASB issued Statement of Financial Accounting Standard No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities", which amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003, except for certain hedging relationships designated after June 30, 2003. Most provisions of this new statement should be applied prospectively. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In May 2003, the FASB issued Statement of Financial Accounting Standard No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of nonpublic entities, if applicable. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for

Recent Accounting Pronouncements (continued)

financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption. The adoption of this statement did have a significant impact on the Company's results of operations or financial position. (See Note 10)

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others ("FIN 45"), that requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligation assumed under the guarantee and elaborates on existing disclosure requirements related to guarantees and warranties. The recognition requirements are effective for guarantees issued or modified after December 31, 2002 for initial recognition and initial measurement provisions. The adoption of FIN 45 did not have a significant impact on the Company's results of operations or financial position.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46") that requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 did not have a significant impact on the Company' results of operations or financial position.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R") that requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The scope of SFAS No. 123R includes a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123R replaces SFAS No. 123 and supersedes APB No. 25. SFAS No. 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that statement permitted entities the option of continuing to apply the guidance in APB No. 25 as long as the footnotes to the financial statements disclosed what net income would have been had the preferable fair-value-based method been used. The Company has not yet determined the affect that the adoption of this new statement will have on the Company's historical financial position or results of operations, however, it is expected to include the increase in compensation expense for equity and liability instruments issued to employees in the future.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 151, "Inventory Costs" ("SFAS No. 151"), that requires abnormal amounts of inventory costs related to idle facility, freight handling and wasted material expenses to be recognized as current period charges. Additionally, SFAS No. 151 requires that the allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The standard is effective for fiscal years beginning after June 15, 2005. The Company does not have manufacturing operations or goods held for resale and does not expect the adoption of SFAS No. 151 to have any impact on the Company's financial position or results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standard No. 153, "Exchanges of Nonmonetary Assets - an Amendment of APB Opinion No. 29" ("SFAS No. 153"), that amends APB Opinion No. 29, "Accounting for Nonmonetary Transactions" ("APB No. 29"). The amendments made by SFAS No. 153 are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, the amendments eliminate the narrow exception for nonmonetary exchanges of similar productive assets and replace it with a broader exception for exchanges of nonmonetary assets that do not have "commercial substance." Previously, APB No. 29 required that the accounting for an exchange of a productive asset for a similar productive asset or an equivalent interest in

NOTE 2- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the same or similar productive asset should be based on the recorded amount of the asset relinquished. The provisions in SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of SFAS No. 153 to have a material impact on the Company's financial position or results of operations.

NOTE 3- **BRIDGE DEBENTURES RECEIVABLE**

On August 23, 2004, the Company provided a $700,000 bridge debenture to Texas Prototypes, which was convertible into common stock of Texas Prototypes. The debenture was secured by the assets of Texas Prototypes. In March 2005, the Company assigned its Texas Prototypes bridge debenture receivable to Cornell Capital Partners, L.P. ("Cornell") in exchange for the elimination of its $700,000 note payable to Cornell. As of March 31, 2005, the principal balance of the bridge debenture receivable was $0. (See Notes 2, 10 and 14)

On August 25, 2004, the Company provided a $300,000 bridge debenture to Solution Technology International, Inc. ("STI") which was convertible into Common Stock of STI. The debenture is secured by the assets of STI. In March 2005, the Company assigned its STI bridge debenture receivable to Cornell in exchange for the elimination of its $300,000 note payable to Cornell. As of March 31, 2005, the principal balance of the bridge debenture receivable was $0. (See Notes 2, 10 and 14)

NOTE 4- **INTANGIBLE ASSETS - VOICE ACQUISITIONS**

The Company recorded an intangible asset for the cost of a customer list at $134,484, which was acquired in June 2004. Amortization expense for the customer list was $20,173 for the year ended March 31, 2005.

NOTE 5- **FIXED ASSETS**

Furniture and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

Property and equipment as of March 31, 2005 and 2004 were as follows:

	Estimated Useful Lives (Years)	2005	2004
Furniture and fixtures	7	$ 387,861	$ 9,379
Machinery and equipment	5	13,584,088	371,437
Leasehold improvements	7	263,452	2,141
Vehicles	5	287,733	77,296
Total		14,523,134	460,253
Less accumulated depreciation		1,330,078	323,755
Property and equipment, net		$ 13,193,056	$ 136,498

There was $1,006,324 and $18,926 charged to operations for depreciation expense for the years ended March 31, 2005 and 2004, respectively. The Company acquired $11,953,544 and $117,956 in fixed assets from its acquisitions during the years ended March 31, 2005 and 2004, respectively.

NOTE 6- LIABILITY FOR COMMON STOCK TO BE ISSUED

In August 2004, DFW Internet Services, Inc. acquired the customer base, corporate name and certain other assets of Web One, Inc., an Internet service provider in Kansas City, Missouri, for cash and common stock. The Company was obligated, subject to post closing adjustments, to issue 2,500,000 shares of common stock to the shareholders of Web One, Inc. as part of the acquisition price. The shares had a fair value of $500,000 based on the then current stock price ($0.20 per share) upon the final acceptance to the terms of the agreement. Certain provisions of the asset purchase agreement required subsequent adjustments to the purchase price. The adjustments were concluded in March 2005 and resulted in the Company paying the shareholders of Web One, Inc. $160,000 in cash and 1,500,000 shares of common stock at a fair value of $300,000. As a result, the Company recorded a $40,000 reduction in the purchase price in connection with the satisfaction of this liability.

NOTE 7- NOTE PAYABLE – MARYLAND DEPARTMENT OF BUSINESS & ECONOMIC DEVELOPMENT

The Company entered into an agreement with the Maryland Department of Business and Economic Development ("DBED") in the amount of $100,000, which represented DBED's investment in the Challenge Investment Program ("CIP Agreement"), dated March 29, 2001. The term of the CIP Agreement was to extend through June 30, 2011.

In March 2004, the Company reached an agreement with DBED to accept the Company's payment of $7,000 in cash for a full release of terms relating to the CIP. The Company made this payment in April 2004.

NOTE 8- NOTES PAYABLE

The Company entered into a bank loan for $5,000 to purchase equipment in October 2003. The note accrued interest at an annual rate of 9% per annum and was scheduled to mature on October 1, 2004. The balance was paid off in September 2004.

Other bank debt consisted of the following:

Note payable to bank at $3,032 per month, including interest at prime plus 1% (6.75%) and maturing March 2006; secured by assets of World Trade Network, Inc.	$ 36,964
Note payable to a bank for a vehicle in the amount of $1,000 per month, including interest at 5.875%, secured by the CloseCall America, Inc. acquired vehicle.	37,745
Note payable to a bank for expansion in the amount of $4,317 per month, including interest at 4.25%, secured by the CloseCall America, Inc. company's corporate vehicle.	102,839
Note payable to a company at $6,988 per month, including interest at 7.50%; secured by assets of the acquired company.	13,241
Note payable to an individual at $1,473 per month, including interest at 7.50%; secured by assets of the acquired company.	12,872
	203,661
Less: Current maturities	(121,464)
Long-term bank debt	$ 82,197

NOTE 8- **NOTES PAYABLE (CONTINUED)**

Principal maturities of long-term debt are as follows:

Years Ending March 31,	
2006	$121,464
2007	60,203
2008	15,245
2009	6,749
	$203,661

NOTE 9- **STANDBY EQUITY DISTRIBUTION AGREEMENT AND EQUITY LINE OF CREDIT**

Equity Line of Credit

On May 31, 2002, the Company entered into an Equity Line of Credit arrangement with Cornell that provided, generally, that Cornell would purchase up to $10 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell purchased the shares at a 9% discount to the prevailing market price of the common stock.

There were certain conditions applicable to the Company's ability to draw down on the $10 million Equity Line of Credit including the filing and effectiveness of a registration statement covering the resale of all shares of common stock that may have been issued to Cornell under the $10 million Equity Line of Credit and the Company's adherence with certain covenants. The registration statement became effective May 9, 2003. In the event Cornell was to hold more than 9.9% of the then-outstanding common stock of the Company, the Company would have been unable to draw down on the $10 million Equity Line of Credit.

In the year ended March 31, 2004, the Company drew $4,785,000 from Cornell in accordance with the $10 million Equity Line of Credit and advanced 134,517,453 shares of its common stock to the escrow agent in accordance with the terms of these loans. As of March 31, 2004, borrowings of $1,800,000 were outstanding, and 118,351,914 shares of common stock were issued to Cornell in the year ended March 31, 2004.

In the year ended March 31, 2005, the Company drew $2,000,000 from Cornell in accordance with the $10 million Equity Line of Credit and advanced 10,000,000 shares of its common stock to the escrow agent in accordance with the terms of these loans. During the year ended March 31, 2005, 25,276,134 shares of common stock were issued to Cornell under the Equity Line of Credit.

Standby Equity Distribution Agreement

On May 13, 2004, the Company entered into a $100 million SEDA arrangement with Cornell. The SEDA provides, generally, that Cornell will purchase up to $100 million of common stock over a two-year period, with the time and amount of such purchases, if any, at the Company's discretion. Cornell will purchase the shares at a 2% discount to the prevailing market price of the common stock.

There are certain conditions applicable to the Company's ability to draw down on the SEDA including the filing and effectiveness of a registration statement covering the resale of all shares of common stock that may be issued to Cornell under theSEDA and the Company's adherence with certain covenants. The registration statement became effective May 27, 2004.

In the event that Cornell holds more than 9.9% of the then outstanding common stock of the Company, the Company will be unable to draw down on the $100 million SEDA. As of March 31, 2005, Cornell did not hold more than 9.9% of the then outstanding common stock of the Company.

In the year ended March 31, 2005, the Company drew $15,700,000 from Cornell in accordance with the $100 million SEDA and advanced 65,000,000 shares of its common stock to the escrow agent in accordance with the terms of these loans. As of March 31, 2005, borrowings of $6,500,000 were outstanding, and 52,172,192 shares of common stock were issued to Cornell during the year ended March 31, 2005 under the SEDA.

NOTE 10- LONG-TERM DEBT

Corporate

On August 23, 2004, the Company borrowed $700,000 from Cornell. The amount was due in 180 days and carried an interest rate of 14%. The note was secured by the assets of the Company. The proceeds were advanced to Texas Prototypes by the Company in anticipation of Texas Prototypes' initial public offering. In March 2005, the Company assigned its Texas Prototypes bridge debenture receivable to Cornell in exchange for the elimination of this note. (See Notes 2, 3 and 14)

On August 25, 2004, the Company borrowed $300,000 from Cornell. The amount was due in 180 days and carried an interest rate of 14%. The note was secured by the assets of the Company. The proceeds were advanced to Solution Technology International, Inc. ("STI") by the Company in anticipation of STI's initial public offering. In March 2005, the Company assigned its STI bridge debenture receivable to Cornell in exchange for eliminating this note. (See Notes 2, 3 and 14)

On August 27, 2004, the Company borrowed $8,500,000 from Cornell. The amount was due in one year and carries an interest rate of 12%. The note is secured by the assets of the Company and was utilized for the cash portion of the acquisition price of CloseCall. In December 2004, the Company converted $2,200,000 of the note balance into debt under the $100 million SEDA. In February 2005, the Company transferred $5,000,000 of the note balance into debt under the $100 million SEDA. As of March 31, 2005, the remaining principal balance of the note payable was $1,300,000 and the accrued interest on this note for the year ended March 31, 2005, was $198,838. The Company has classified the note and the accrued interest as short-term liabilities. Subsequent to year ended March 31, 2005, the $1,300,000 remaining amount due was transferred into debt under the $100 million SEDA. (See Note 20)

On September 22, 2004, the Company borrowed $3,700,000 from Cornell. The amount was due in one year and carries an interest rate of 12%. The note is secured by the assets of the Company and was utilized for the acquisition of The River Internet Access Co. and World Trade Network, Inc. As of March 31, 2005, the remaining principal balance of the note payable was $3,700,000 and the accrued interest on this note for the year ended March 31, 2005, was $85,151. The Company has classified the note and the accrued interest as short-term liabilities.

On November 15, 2004, the Company acquired $15,200,000 in bridge financing from Airlie Opportunity Master Fund ("Airlie"), a Greenwich, Connecticut-based institutional investor. The Company repaid $2,200,000 on November 30, 2004, and the remaining $13,000,000 note is payable on November 15, 2005 and carries an interest rate of 23%. The funds were utilized to complete the acquisition of 95.2% of the stock of Davel as described in Note 1. The note is secured by all of the stock of Davel that was acquired by the Company on November 15, 2004, plus 100% of the Davel debt instruments that were acquired in the transaction. In addition, the note is secured by the assets of the Company, as subordinated by the pre-existing first lien of Cornell. As of March 31, 2005, the remaining principal balance of the note payable was $13,000,000 and the accrued interest payable on this note was $641,225. The Company has classified the note and the accrued interest as short-term liabilities. On May 13, 2005, the Company repaid this loan with proceeds from a financing completed on May 13, 2005. (See Note 20)

Internet Services Acquisitions

On June 21, 2004, DFW Internet Services, Inc. entered into an asset purchase agreement with Crescent Communications, Inc. The agreement included a promissory note payable to Crescent Communications, Inc. in the amount of $250,000, with simple interest accruing at 6% per annum, and monthly payments in the amount of $21,516 beginning on July 21, 2004. The note matures on June 21, 2005, and the monthly payments will apply first to interest with the remaining portion of the payment reducing the principal balance. The payments commenced on July 21, 2004, and the note outstanding balance on March 31, 2005, was $126,791. The interest on these notes for the year ended March 31, 2005, was $5,887, and accrued interest on the notes at March 31, 2005 was $1,918.

DFW Internet Services, Inc. entered into four (4) promissory notes with the prior owners of Ticon.net, Inc. for an aggregate principal amount of $250,000 plus interest computed at 6% per annum. The notes were made as of July 14, 2004, and matured on November 10, 2004. The note payments scheduled for November 10, 2004 were not made due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price and outstanding notes. Negotiations between the parties on the amount of the note adjustments were not concluded as of March 31, 2005. The adjustments mentioned above not withstanding, as of March 31, 2005, the principal balance on the notes was $250,000, and accrued interest on the notes for the year ended March 31, 2005, was $10,685. The total outstanding note balance plus interest are classified as short-term liabilities.

NOTE 10- LONG-TERM DEBT (CONTINUED)

DFW Internet Services, Inc. entered into four (4) promissory notes with the prior owners of Internet Express, Inc. for an aggregate principal amount of $300,000. The notes were made as of March 1, 2004 and mature March 1, 2006. DFW Internet Services, Inc. has agreed to pay a monthly amount of $5,000 inclusive of interest towards the principal balance of $300,000 with the remaining $180,000 plus accrued interest to be paid by the maturity date. Interest on these notes will accrue at an annual rate of 6% per annum. The monthly payments will first be applied to interest and the remaining portion will be a reduction of the principal balance. The payments commenced on April 1, 2004. The balance at March 31, 2005 and 2004 on these promissory notes is $221,788 and $300,000, respectively. The interest expense on these notes for the year ended March 31, 2005 was $16,890, of which $1,800 was accrued at March 31, 2005. The total outstanding note balance plus interest are classified as short-term liabilities.

DFW Internet Services, Inc. entered into two (2) promissory notes with the prior owner of Clover Computer Corporation for an aggregate note principal amount of $542,264. The first note matures on July 6, 2005, and the second is a convertible note that matures on July 6, 2006. DFW Internet Services, Inc. agreed to a quarterly debt service inclusive of interest at a simple rate of 7% per annum on the first note, with the first quarterly payment of $70,774 to be made on October 6, 2004, and the last payment of the same amount will be due on July 6, 2005. The three payments scheduled for October 6, 2004, January 6, 2005, and April 6, 2005 were not made due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price and outstanding notes. Negotiations between the parties on the amount of the note adjustments have not concluded as of March 31, 2005. The adjustments mentioned above not withstanding, the balance on March 31, 2005, on the first promissory note was $271,132; and accrued interest on this note for the year ended March 31, 2005, was $13,935. The total outstanding note balance plus interest are classified as short-term liabilities. The second note is a convertible note in the amount of $271,132 that matures on July 6, 2006, with simple interest computed at an annual rate of 4%, and a balloon payment of principal and interest at maturity. The principal balance on the note for the year ended March 31, 2005, was $271,132 with accrued interest of $7,963. The total outstanding balance and accrued interest were classified as long-term liabilities. At any time prior to maturity, the note holder has the right, at the holder's option, to convert such outstanding balance of this note, in whole or in part, into common stock at a conversion price of $0.20 per share.

DFW Internet Services, Inc. entered into two (2) promissory notes with the prior owner of World Trade Network, Inc. for an aggregate principal amount of $500,000. Due to certain provisions of the stock purchase agreement requiring subsequent adjustments to the purchase price, both of these notes cancelled in their entirety on February 15, 2005 along with any accrued interest pursuant to the mutual agreement of the parties.

DFW Internet Services, Inc. entered into thirty (30) promissory notes with the prior owners of The River Internet Access Co. for an aggregate principal amount of $776,472. The thirty (30) notes were made as of September 16, 2004, and the first set of fifteen (15) notes matures on September 15, 2005, and the second set of fifteen (15) notes are convertible notes that mature on March 15, 2006. DFW Internet Services, Inc. has agreed to make quarterly debt service payments inclusive of interest at a simple rate of 6% per annum on the first fifteen notes. The aggregate principal balances on March 31, 2005, on the first set of fifteen promissory notes was $194,122, and accrued interest on these notes as of March 31, 2005, was $511. The total outstanding principal balance and accrued interest are classified as short-term liabilities. The second set of fifteen notes are convertible notes in the aggregate amount of $388,236 that mature on March 16, 2006, with simple interest computed at an annual rate of 3%, and a balloon payment of principal and interest at maturity. The aggregate principal balance on the notes as of March 31, 2005 was $388,236 with accrued interest of $6,254. The aggregate outstanding note principal balance and the accrued interest at March 31, 2005 were classified as long-term liabilities. At any time prior to maturity, the convertible note holders have the right, at the holders' option, to convert such outstanding balances of their notes, in whole or in part, into common stock at a conversion price of $0.20 per share.

The Company and DFW Internet Services, Inc. and the former owners of DFW Internet Services, Inc. entered into Put Agreements as of January 19, 2004. The Put Agreements gave the former owners of DFW Internet Services, Inc. the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners. The aggregate purchase price under the Put Agreement was $250,000. The Company classified this liability as a long-term liability on its consolidated financial statements in accordance with SFAS 150. In March 2005, the Put Agreement was terminated in its entirety, and the $250,000 liability was eliminated

NOTE 10- LONG-TERM DEBT (CONTINUED)

Voice Services Acquisitions

The Company acquired US1 Telecommunications, Inc. and escrowed $75,000 cash, which was due and payable to the former owner within 5 months of the closing date (June 29, 2004), provided the subsidiary performed as indicated in the agreement. The note bore interest at a rate of 5% and was due on December 1, 2004 in the amount of $75,940. The final payment due was subject to certain provisions of the agreement requiring subsequent adjustments to the purchase price and outstanding note. The payment net of the adjustments mentioned above was made in February 2005.

The Company and the former owners of Affinity Telecom entered into Put Agreements as of September 19, 2004. The Put Agreements gave the former owners of Affinity Telecom the right to have the Company repurchase all, but not less than all, of the common stock issued to the former owners. The aggregate purchase price under the Put Agreement was $995,000. The Company previously classified this as a short-term liability on its September 30, 2004 condensed consolidated financial statements in accordance with SFAS 150. The Agreement and Plan of Merger by and between the Company and Affinity Telecom was amended as of December 2004 to settle certain disputes regarding the financial condition of Affinity Telecom. According to the terms of the Amendment, the Put Agreement was terminated in its entirety, and the $995,000 liability was eliminated.

The Company maintained an escrow payable in the amount of $140,000 related to the Agreement and Plan of Merger that was amended as of December 2004 to settle certain disputes regarding the financial condition of Affinity Telecom. According to the terms of the Amendment, the escrow payable was terminated in its entirety.

The Company also recorded a payable in the amount of $50,000 representing additional consideration applicable to accounts receivable of Affinity Telecom that were outstanding at July 30, 2004. Pursuant to the terms of the Amendment discussed above, the $50,000 payable was terminated.

The Company issued two (2) notes to the prior owners of Affinity Telecom, a $300,000 non-interest bearing promissory note and a $750,000 convertible promissory note. Pursuant to the terms of the Amendment discussed above, the two (2) notes with the prior owners were terminated in their entirety.

Vehicles

DFW Internet Services, Inc. entered into a note for the purchase of a company vehicle in August 2004. The note is a three-year note that matures in April 2007 with a balloon payment of approximately $45,000. The note carries an annual interest rate of 7.25% and the payments including interest are $979.49 per month. The maturities over the next two years and in the aggregate are expected to be as follows:

Years Ended March 31,	
2006	$ 11,754
2007	53,465
Total	$ 65,219

Leases

In 2003, the Company leased certain equipment under capital lease arrangements. Property and equipment includes the following amount for leases that have been capitalized at March 31, 2005:

Computer and mailing equipment	$ 43,812
Less - accumulated amortization	(10,728)
	$ 33,084

Amortization of leased assets is included in depreciation and amortization expense.

The Company also leases a building and various equipment under non-cancelable operating leases. The building lease expires in 2007 and contains options to renew for additional terms of two years at the prevailing market rate.

NOTE 10- LONG-TERM DEBT (CONTINUED)

Future minimum payments under non-cancelable leases with initial terms of one year or more consist of the following at March 31, 2005:

Years Ending March 31,	Capital Leases	Operating Leases
2006	$ 10,508	$ 593,515
2007	10,508	338,518
2008	4,068	245,344
2009	-	65,470
2010	-	55,354
Total minimum lease payments	25,084	$1,298,201
Less - amounts representing interest	(4,215)	
Less - current portion	(5,354)	
Long-term capital lease obligation	$15,515	

NOTE 11- STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of March 31, 2005, the Company had 600,000,000 shares of common stock authorized and 355,918,011 issued and outstanding.

The Company had 1,000,000 shares of common stock authorized under its 2001 Equity Performance Plan. The Board of Directors subsequently authorized an increase in the shares available under the 2001 Equity Performance Plan from 1,000,000 to 6,000,000.

The following describes the common stock transactions for the year ended March 31, 2004.

On June 19, 2003, the Company issued 350,000 shares of common stock as compensation at a fair value of $8,750.

On July 7, 2003, pursuant to a memorandum of understanding between the Company and GBH Telecom, LLC, the Company issued 3,500,000 shares of common stock valued at $68,250. As of September 30, 2003, the agreement with GBH Telecom, LLC was terminated.

Between May 2003 and August 2003, the Company issued 16,130,887 shares of common stock in conversion of $165,000 of convertible debentures and accrued interest.

In October 2003, the Company issued 391,304 shares of common stock in conversion of $9,000 in advances that were funded to the Company.

In January 2004, the Company issued 16,666,667 shares of common stock which converted $180,000 in officer advances.

In March 2004, the Company issued 18,761,726 shares of common stock in connection with the acquisition of the common stock of DFW Internet Services, Inc. pursuant to a Stock Purchase Agreement dated January 19, 2004. The issued shares were valued at a fair value of $500,000, based on the average 20-day closing price ($0.02665 per share) prior to January 19, 2004. The distribution of such value amount included an allocation of $250,000 to the terminated put agreement.

During the year ended March 31, 2004, the Company issued 134,517,453 shares of common stock to the escrow agent for use in converting amounts borrowed under the $10 million Equity Line of Credit. The Company also converted $3,145,000 of debt into 118,351,914 shares of common stock and recognized $311,757 of amortization of discount and interest on debt conversions relating to the $10 million Equity Line of Credit.

NOTE 11- **STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)**

The following describes the common stock transactions for the year ended March 31, 2005.

In May 2004, the Company issued 2,000,000 shares of common stock under a settlement agreement with a former executive valued at $90,000, and issued 421,037 shares of common stock to another former executive for $23,999 cash pursuant to the exercise of options under the Company's 2001 Equity Performance Plan.

In June 2004, the Company issued 8,000,000 shares of common stock in payment of the fees associated with the $100 million Standby Equity Distribution Agreement that was valued at $1,760,000. This cost was reflected as a deferred financing fee on the consolidated balance sheet.

In August 2004, the Company issued 100,000 shares of common stock to an agency as compensation for personnel recruiting services.

In August 2004, the Company issued 2,000,000 shares in conjunction with conversion of warrants by a former executive. The exercise price was $0.029 per share and was paid in cash.

In August 2004, the Company issued 878,816 shares of common stock to the former owners of ShreveNet, Inc. as partial consideration for the acquisition of ShreveNet, Inc. The issued shares were valued at a fair value of $190,000 based on the average 20-day closing price ($0.2162 per share) prior to June 3, 2004.

In August 2004, the Company issued 25,000 shares of common stock in conjunction with exercise of stock options by a former employee under the Company's 2001 Equity Performance Plan. The exercise price was $0.10 per share and was paid in cash.

In September 2004, the Company issued 5,000,000 shares of common stock to the former owners of Affinity Telecom as partial consideration for the acquisition of Affinity Telecom by the Company. The issued shares were valued at a fair value of $1,000,000 based upon the date of agreement and the terms of the deal. The distribution of such value amount included an allocation of $999,000 to the terminated put agreement.

In November 2004, the Company issued 39,999,999 shares of common stock in connection with the acquisition of CloseCall America, Inc. that was completed in October 2004. The 39,999,999 shares were recorded at a fair value of $10,000,000.

In February 2005, the Company issued 500,000 shares of common stock in conjunction with conversion of warrants for previous consulting services. The exercise price was $0.032 per share.

In March 2005, the Company issued 1,500,000 shares of common stock in connection with the acquisition of Web One, Inc. that was completed in August 2004. The 1,500,000 shares were recorded at a fair value of $300,000.

During the year ended March 31, 2005, the Company issued 10,000,000 shares of common stock to the escrow agent for use in the conversion of borrowings made under the $10 million Equity Line of Credit. The Company converted $3,800,000 of debt into 25,276,134 shares of common stock and recorded $256,691 of amortization of discount on debt conversions relating to the $10 million Standby Equity Distribution Agreement.

During the year ended March 31, 2005, the Company issued 65,000,000 shares of common stock to the escrow agent for use in the conversion of borrowings made under the $100 million Standby Equity Distribution Agreement. The Company also converted $9,200,000 of debt into 52,172,192 shares of common stock. The Company also converted $13,907 of interest into 81,355 shares of common stock. The Company recognized $118,258 and $201 of amortization of discount on debt and interest conversions, respectively, relating to the $100 million Standby Equity Distribution Agreement.

Preferred Stock

The Company has 5,035,425 shares of preferred stock authorized of which 35,378 shares were issued and outstanding as of March 31, 2005 and 2004. There were no issuances of preferred stock during the years ended March 31, 2005 and 2004. The issued and outstanding preferred shares are convertible into 35,378 shares of common stock.

NOTE 11- **STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)**

Stock Options and Warrants

The Company has authorized 1,000,000 shares of common stock for the grant of stock options to employees under the 2001 Equity Performance Plan. The Board of Directors subsequently authorized an increase in the number of shares available under the 2001 Equity Performance Plan from 1,000,000 to 6,000,000. In addition, the Company, from time to time, has issued warrants to key personnel pursuant to specific authorization of the board of directors.

SFAS No. 123 encourages adoption of a fair-value-based method for valuing the cost of stock-based compensation. It allows companies to continue to use the intrinsic-value method for options granted to employees and disclose pro forma net loss. Alternatively, it allows the use of the Black Scholes option pricing model, under which the total value (not intrinsic-value) of the stock options granted as charged to operations.

The following table summarizes the activity of the Company's stock option plan for the year ended March 31, 2005:

	Number of Options	Weighted-Average Exercise Price
Outstanding – beginning of period	4,171,037	$.0482
Granted	5,225,000	.1748
Exercised	(446,037)	.0594
Cancelled	(7,225,000)	.1047
Outstanding – end of period	1,725,000	.1920
Exercisable – end of period	722,917	$.1635

The following table summarizes the activity of the Company's stock option plan for the year ended March 31, 2004:

	Number of Options	Weighted-Average Exercise Price
Outstanding – beginning of period	521,037	$.123
Granted	4,000,000	.036
Exercised	(350,000)	.02
Cancelled	-	-
Outstanding – end of period	4,171,037	.0482
Exercisable – end of period	2,454,787	$.0458

For disclosure purposes, the fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model, which approximates fair value, with the following weighted-average assumptions used for stock options granted in 2005 and 2004; no annual dividends, volatility of 60%, risk-free interest rate of 3.00%, and expected life of 9.58 years.

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NOTE 11- **STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)**

If compensation expense for the Company's stock-based compensation plans had been determined consistent with SFAS 123, the Company's net income and net income per share including pro forma results would have been the amounts indicated below for the years ended March 31, 2005 and 2004:

	2005	2004
Net loss:		
As reported	\$(5,359,722)	\$(2,157,844)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,652,185)	(156,889)
Pro forma	\$(7,011,907)	\$(2,314,733)
Net loss per share:		
As reported:		
Basic	\$(0.02)	\$(0.02)
Diluted	\$(0.02)	\$(0.02)
Pro forma:		
Basic	\$(0.024)	\$(0.02)
Diluted	\$(0.024)	\$(0.02)

The Company issued warrants to purchase 61,732,500 shares of common stock in the year ended March 31, 2005. The total number of warrants outstanding at March 31, 2005 was 61,232,500.

The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: interest rate 3.0%, dividend yield 0%, volatility 60% and expected life of ten years.

NOTE 11- **STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)**

The Company had the following warrants outstanding for the purchase of its common stock as of March 31, 2005 and March 31, 2004:

Exercise Price	Expiration Date	2005	2004
$.30	October, 2009	2,500,000	-
$.35	October, 2009	1,000,000	-
$.30	November, 2009	5,000,000	-
$.15	February, 2010	200,000	-
$.20	November, 2011	5,600,000	-
$.032	September, 2013	-	500,000
$.018	January, 2014	6,500,000	6,500,000
$.02	January, 2014	3,400,000	-
$.10	March, 2014	800,000	-
$.018	April, 2014	21,182,500	-
$.20	June, 2014	4,300,000	-
$.18	July, 2014	2,000,000	-
$.20	July, 2014	1,000,000	-
$.20	November, 2014	2,000,000	-
$.16	January, 2015	3,000,000	-
$.17	January, 2015	2,000,000	-
$.185	January, 2015	500,000	-
$.193	February, 2015	250,000	-
		61,232,500	7,000,000
	Weighted average exercise price	$0.117	$0.019

At March 31, 2005 and 2004, warrants to purchase 42,095,000 and 1,000,000 shares of common stock were exercisable, respectively.

NOTE 12- **PATENTS**

As of March 31, 2005, the Company had filed a total of eight patent applications with the U.S. Patent and Trademark Office (PTO) in the areas of "Smart Antenna" technology and RF Transceiver Chip Design for "Low Noise Amplifier for wireless communications". As of March 31, 2005, the Company had been granted approval of five patents and three patent applications are still pending approval.

NOTE 13- **CONTINGENCIES**

Certain mitigating events have occurred during the year ended March 31, 2005 and 2004, leading management to conclude that the Company should remove the going concern uncertainty.

These mitigating events included management receiving a commitment from Cornell to provide the Company with up to $100 million in SEDA financing under certain conditions and receiving funding in the past fiscal year from Cornell under the prior $10 million Equity Line of Credit and the existing $100 million SEDA. In addition, the Company completed two acquisitions in its fourth fiscal quarter ending March 31, 2004 and completed twelve acquisitions in its year ending March 31, 2005 of Internet and voice services companies. The acquired Internet and voice service providers are expected to generate revenues and to provide cash flow from operations.

The acquisitions continue to expand the Company's service area and provide additional products and services to the existing and future customer base. The Company continues to explore other transactions that will fit its business model and assist the Company in executing its business plan.

NOTE 14- COMMITMENTS

On April 15, 2004, Mr. Jay O. Wright extended his employment as the Company's President and Chief Executive Officer. Mr. Wright's employment is for two years under the terms of his Executive Employment Agreement with the Company.

The Company has entered into employment agreements with other key members of management. Compensation earned by these employees has been properly reflected in the consolidated statements of operations for the years ended March 31, 2005 and 2004, respectively.

In May 2004, the Company announced that it had formed a strategic alliance with Massively Parallel Technologies, Inc. (MPT), a privately owned corporation located in Louisville, Colorado. Under the alliance, MPT will utilize the bandwidth provisioning capability of the Company in connection with MPT's high performance computer cluster platforms and the Company will become a reseller of the MPT platform.

In June 2004, the Company signed a Development Agreement with Information and Communications University (ICU), a Korean institution with leading edge development experience in ZigBee RF design, to jointly develop the Company's ZigBee RF transceiver chip. Under the Agreement, the Company retains 100% ownership of all intellectual property rights.

In June 2004, the Company signed a letter of intent to acquire CommSouth Companies, Inc. a competitive local exchange carrier (CLEC) and long distance and Internet service provider based in Dallas, Texas. As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition.

In June 2004, the Company entered into a Business Development Agreement with Solution Technology International, Inc., a Frederick, Maryland-based software company ("STI"), whereby the Company provided services to STI in exchange for a 5% ownership in the company. The value of the investment is $150,000 and is reflected in the consolidated balance sheet at March 31, 2005.

In July 2004 the Company signed a letter of intent to acquire American Fiber Network, Inc., ("AFN") a licensed Competitive Local Exchange Carrier (CLEC) and long distance provider based in Kansas City, Missouri. AFN is licensed to provide local, long distance and Internet service in 48 contiguous U.S. states. The Company is actively pursuing this acquisition.

In August 2004, the Company signed a letter of intent to acquire WorldNet Communications, Inc., a Leesville, Louisiana-based Internet service provider. As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition.

In August 2004, the Company announced its intention to issue a property dividend of 3,073,113 shares of common stock of STI. The Company's stockholders are expected to receive one share of registered (i.e. "free-trading") STI stock for approximately every 93 shares of the Company stock that they own, based on the existing shares outstanding and certain warrants. The Company's Board of Directors set September 15, 2004 as the record date for the stock dividend. In March 2005, STI withdrew its pending registration statement from the United States Securities and Exchange Commission. STI is contemplating other options to become a publicly traded company. The Company intends to pursue issuance of the property dividend upon STI obtaining its public listing. At this time, no date has been established for such listing.

In August 2004, the Company announced that it signed a memorandum of understanding with an Israeli technology company, ActivePoint Ltd., to jointly pursue a working relationship covering a number of potential technology and communications projects. The companies have agreed that a future working relationship could include select opportunities involving ActivePoint's search engine and the Company's Internet services, voice services, wireless services, and other telecommunications and IT initiatives within North America.

In August 2004, the Company signed a business development agreement with Texas Prototypes, Inc., an electronic prototype manufacturing company, to jointly pursue a working relationship covering a number of potential technology projects and business development initiatives. The Company received a 5% ownership in the company as consideration for services under the agreement. The value of the investment is $300,000 and is reflected in the consolidated balance sheet at March 31, 2005.

In September 2004, the Company announced a letter of intent to acquire two Bridgeport, Texas phone companies, Affordaphone, Inc. and Basicphone, Inc. As of March 31, 2005, the Company is not actively pursuing the completion of these acquisitions.

In September 2004, the Company announced it had signed a letter of intent to acquire North Country Internet Access, Inc., an internet services provider based in Berlin, New Hampshire, which offers both analog and digital dial-up, service, Web

NOTE 14- COMMITMENTS (CONTINUED)

hosting and design services to residential and small business customers in northern New Hampshire. As of March 31, 2005, the Company is not actively pursuing the completion of this acquisition.

In September 2004, the Company formed a strategic alliance with Global Triad Incorporated, a Ft. Lauderdale, Florida-based software and wireless broadband company. Pursuant to the arrangement, the companies will look to jointly pursue select wireless projects and work together utilizing Global Triad's compression software.

In October 2004, the Company completed the design of its first ZigBee wireless semiconductor chip. The 2.4 GHz chip design for the so-called "RF layer," or "physical layer," is now being converted into a prototype chip at a facility in Taiwan. In addition the Company announced it had begun design on a 900 MHz ZigBee chip.

In March 2005, the Company announced that it has been awarded a five-year contract with the General Services Administration (GSA) to sell certain electronic commerce and telecommunications services to the federal government, effective through February 24, 2010.

In connection with the November 2004 acquisition of the senior secured debt of Davel, the Company agreed to purchase the remaining issued and outstanding shares (approximately 4.8%) held by the minority stockholders (the "Minority Stockholders") within 180 days of the closing date of the Davel acquisition. The purchase price to be offered to the Minority Stockholders was to be an amount of not less than $0.015 per share, which, at the discretion of the Company, could be paid in cash or common stock of Mobilepro. Subsequent to year-end, Davel paid the cash purchase price of $450,000 to the Minority Stockholders and the transaction was completed in May 2005.

NOTE 15- IMPAIRMENT OF GOODWILL

In connection with the acquisition of certain Internet and voice services companies, the Company recorded goodwill in the amounts of $32,785,618 and $812,003 during the years ended March 31, 2005 and 2004, respectively. The Company performs its annual impairment test for goodwill at the end of each fiscal year and determined that at both March 31, 2005 and 2004 that there was no impairment of the goodwill.

NOTE 16- LITIGATION/ LEGAL PROCEEDINGS

As of March 31, 2005, the Company was party to the following material legal proceedings.

At the time that the Company acquired 95.2 % of the stock of Davel, Davel was a defendant in a civil lawsuit captioned Gammino v. Cellco Partnership d/b/a Verizon Wireless, et al., C.A. No. 04-4303 filed in the United States District Court for the Eastern District of Pennsylvania. The plaintiff claims that Davel and other defendants allegedly infringed its patent involving the prevention of fraudulent long-distance telephone calls and is seeking damages in connection with the alleged infringement. Davel continues to review and investigate the allegations set forth in the complaint, continues to assess the validity of the Gammino Patents and is in the process of determining whether the technology purchased by Davel from third parties infringes upon the Gammino Patents. According to the terms of the Davel acquisition agreement, the former secured lenders, subject to certain limitations, have agreed to reimburse the Company for the litigation cost and any losses resulting from the Gammino lawsuit. The former secured lenders have agreed to fund such costs from future regulatory receipts that were assigned to them by Davel. Any such regulatory receipts will be deposited into a third-party escrow account and will be used to reimburse the Company for costs incurred. The secured lenders are not required to fund the escrow account or otherwise reimburse the Company for amounts, if any, in excess of actual regulatory receipts collected. Any amount remaining in the escrow account at the conclusion of the litigation is to be returned to the former secured lenders. Subsequent to March 31, 2005, the Company received significant regulatory receipts that are being held in escrow. These funds can be used to reimburse the Company for costs incurred in defending or settling the litigation matter. The case is in the discovery phase of the litigation.

On or about October 15, 2002, Davel was served with a complaint, in an action captioned Sylvia Sanchez et al. v. Leasing Associates Service, Inc., Armored Transport Texas, Inc., and Telaleasing Enterprises, Inc. Plaintiffs claim that Davel was grossly negligent or acted with malice and such actions proximately caused the death of Thomas Sanchez, Jr., a former Davel employee. On or about January 8, 2002, the Plaintiffs filed their first amended complaint adding a new defendant LAI Trust and on or about January 21, 2002 filed their second amended complaint adding new defendants Davel Communications, Inc., DavelTel, Inc. and Peoples Telephone Company, all subsidiaries of Davel. The original complaint, as well as the first and second amended complaints, was forwarded to Davel's insurance carrier for action; however, Davel's insurance carrier

NOTE 16- **LITIGATION/ LEGAL PROCEEDINGS (CONTINUED)**

denied coverage based upon the workers compensation coverage exclusion contained in the insurance policy. The Company answered the complaint on or about January 30, 2003. The parties are currently engaged in the discovery process. The trial originally scheduled for June 2004 was continued to November 2004; however, the trial has been delayed further by motion of the plaintiff and approval of the court. It is anticipated that the trial will be scheduled for November 2005. While Davel believes that it has meritorious defenses to the allegations contained in the second amended complaint and intends to vigorously defend itself, Davel cannot at this time predict its likelihood of success on the merits.

The Company terminated Kevin Kuykendall, former President of the Company's voice division, for cause under the terms of his Executive Employment Agreement, effective Wednesday, December 29, 2004. On January 26, 2005, Mobilepro was served with notice that a complaint had been filed with the U.S. Department of Labor by Mr. Kuykendall alleging discriminatory employment practices. Mr. Kuykendall has alleged that he was terminated on December 29, 2004 in reprisal for challenging the accuracy of a qualified financial goal of Davel Communications, Inc. Mr. Kuykendall sought back pay, plus interest, and reinstatement or the future pay for the term of his contract, reimbursement of insurance premiums borne by Mr. Kuykendall during the period of his termination, payment of outstanding bonuses to which he believes he is entitled, compensatory damages for emotional distress, pain and suffering, punitive damages, costs, and reasonable attorneys' fees. In March 2005, the Company received from the U.S. Department of Labor a favorable ruling in the Kuykendall matter. The U.S. Department of Labor found no reasonable cause to support the former employee's complaint for improper termination and the U.S. Department of Labor concluded that Mr. Kuykendall failed to demonstrate that his alleged assertions were a contributing factor in his discharge for cause. Mr. Kuykendall did not appeal the U.S. Department of Labor ruling and the case was subsequently closed. In May 2005, the Company and Mr. Kuykendall dropped all complaints and legal proceedings against each other and signed a confidential settlement agreement and mutual general release.

NOTE 17- **PROVISION FOR INCOME TAXES**

No provision for income taxes was required and no income taxes were paid during the years ended March 31, 2005 and 2004 because of operating losses and net operating loss carryforwards generated by the Company. A majority of the temporary differences relate to the net operating loss carryforwards and depreciation and amortization differences for tax purposes versus book purposes. The Company has established a valuation allowance against the entire deferred tax asset generated.

NOTE 18- **DIAL AROUND COMPENSATION**

A dial-around call occurs when a non-coin call is placed from a public pay telephone of the company, which utilizes any interexchange carrier ("IXC") other than the presubscribed carrier (the Company's dedicated provider of long distance and operator assisted calls). The Company receives revenues from such carriers recording them as dial-around compensation based upon the per-call rate in effect pursuant to orders issued by the Federal Communications Commission (the "FCC") under section 276 of the Telecommunications Act of 1996 ("Section 276") and the estimated number of dial-around calls placed from each pay telephone during each month. Prior to 2001, the Company recorded revenue from dial-around compensation based upon the rate of $0.24 per call ($0.238 per call prior to April 21, 1999) and 131 monthly calls per phone, which represented the monthly averages for calls from a pay telephone used by the FCC in initially determining the amount of dial-around compensation to which payphone service providers ("PSP") were entitled. The averages were utilized until such time as the actual number of dial-around calls could be tracked on a per pay telephone basis. On August 12, 2004, the FCC released an order to increase the dial-around compensation rate from $0.24 to $0.494 per call (the "2004 Order"). The new rate became effective September 27, 2004, 30 days after publication of the 2004 Order in the Federal Register, and may be subject to appeal by IXCs or other parties. Although the 2004 Order was effective for the fourth quarter of 2004, the Company did not receive payments under the 2004 Order until April 2005.

As a result of the orders issued by the FCC regarding dial-around compensation and the resulting litigation, the amount of revenues that payphone service providers ("PSPs") were entitled to receive and the amounts that PSPs actually received have differed. In general, there have been underpayments of dial-around compensation from IXCs and other carriers from November 6, 1996 through October 6, 1997 (the "Interim Period") and overpayments to PSPs, including the Company, from October 7, 1997 through April 20, 1999 (the "Intermediate Period"). On January 31, 2002, the FCC released its Fourth Order on Reconsideration and Order on Remand (the "2002 Payphone Order") that provided a partial decision on how retroactive dial-around compensation adjustments for the Interim Period and Intermediate Period may apply.

On October 23, 2002, the FCC released its Fifth Order on Reconsideration and Order on Remand (the "Interim Order"), which resolved all the remaining issues surrounding the Interim Period and the Intermediate Period true-up and specifically addressed how flat rate monthly per-phone compensation owed to PSPs would be allocated among the IXCs. The Interim

NOTE 18- DIAL AROUND COMPENSATION (CONTINUED)

Order also resolved how certain offsets to such payments would be handled and a host of other issues raised by parties in their remaining FCC challenges to the 2002 Payphone Order and prior orders issued by the FCC regarding dial-around compensation. In the Interim Order, the FCC ordered a true up for the Interim Period and increased the adjusted monthly rate to $35.22 per payphone per month, to compensate for the three-month payment delay inherent in the dial-around payment system. The new rate of $35.22 per payphone per month is a composite rate, allocated among approximately five hundred carriers based on their estimated dial-around traffic during the Interim Period. The FCC also ordered a true-up requiring the PSPs, including the Company, to refund an amount equal to $.046 (the difference between the old $0.284 rate and the subsequently revised $0.238 rate) to each carrier that compensated the PSP on a per-call basis during the Intermediate Period. Interest on additional payments and refunds is to be computed from the original payment date at the IRS prescribed rate applicable to late tax payments. The FCC further ruled that a carrier claiming a refund from a PSP for the Intermediate Period must first offset the amount claimed against any additional payment due to the PSP from that carrier. Finally, the Interim Order provided that any net claimed refund amount owing to carriers cannot be offset against future dial-around payments without (1) prior notification and an opportunity to contest the claimed amount in good faith (only uncontested amounts may be withheld); and (2) providing PSPs an opportunity to "schedule" payments over a reasonable period of time.

In January 2005, certain carriers offset approximately $0.5 million from their current dial-around compensation payments. In April 2005, approximately $0.7 million was offset from current dial-around compensation payments further reducing this liability. The remaining amount outstanding will be paid or deducted from future quarterly payments of dial-around compensation to be received from the applicable dial-around carriers.

For the fiscal year ended March 31, 2005, Davel received $0.4 million in payments from carriers under the Interim Order and recorded the dial-around compensation adjustments in the accompanying consolidated statements of operations. Although Davel is entitled to receive a substantial amount of additional dial-around compensation pursuant to the Interim Order, such amounts, subject to certain limitations, were assigned to Davel's former secured lenders in exchange for a reduction in Davel's senior secured debt prior to the acquisition of such debt by the Company. Regulatory actions and market factors, often outside Davel's control, could significantly affect Davel's future dial-around compensation revenues. These factors include (i) the possibility of administrative proceedings or litigation seeking to modify the dial-around compensation rate, and (ii) ongoing technical or other difficulties in the responsible carriers' ability and willingness to properly track or pay for dial-around calls actually delivered to them.

The Company's reportable operating segments include Technology, Voice Services, Internet Services and Corporate. The Company allocates cost of revenues and direct operating expenses to these segments.

Operating segment data for the years ended March 31, 2005 and 2004 are as follows:

For the year ended March 31, 2005:

	Corporate	Technology	Voice Services	Internet Services	Total
Revenues	$ 615,000	$ -	$ 32,009,084	$ 13,884,060	$ 46,508,144
Direct costs of revenues	-	-	15,816,901	6,734,339	22,551,240
Gross profit	615,000	-	16,192,183	7,149,721	23,956,904
Operating expenses	1,287,945	953,976	16,707,959	6,460,970	25,410,850
Depreciation, amortization and impairment	1,108,483	14,588	1,093,620	225,672	2,442,363
Other income	-	-	111,089	-	111,089
Interest (net)	1,393,108	43,927	23,523	113,944	1,574,502
Net income (loss)	$(3,174,536)	$ (1,012,491)	$ (1,521,830)	$ 349,135	$ (5,359,722)
Segment assets	$19,522,552	$ 14,240	$ 35,166,195	$ 18,119,944	$ 72,822,931
Fixed assets, net of accumulated depreciation	$ -	$ 7,293	$ 11,804,050	$ 1,381,713	$ 13,193,056

MOBILEPRO CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2005 AND 2004

NOTE 19- SEGMENT INFORMATION (CONTINUED)

For the year ended March 31, 2004:

	Corporate	Technology	Voice Services	Internet Services	Total
Revenues	$ -	$ -	$ -	$ 311,355	$ 311,355
Direct costs of revenues	-	-	-	117,349	117,349
Gross profit	-	-	-	194,006	194,006
Operating expenses	701,758	1,115,946	-	138,454	1,956,158
Depreciation, amortization and impairment	353,342	14,589	-	6,411	374,342
Interest (net)	-	18,745	-	2,605	21,350
Net income (loss)	$(1,055,100)	$ (1,149,280)	$ -	$ 46,536	$ (2,157,844)
Segment assets	$ 1,877,378	$ 29,151	$ -	$ 1,451,644	$ 3,358,173
Fixed assets, net of accumulated depreciation	$ -	$ 21,881	$ -	$ 114,617	$ 136,498

NOTE 20- SUBSEQUENT EVENTS

On January 26, 2005, Mobilepro was served with notice that a complaint had been filed with the U.S. Department of Labor by Mr. Kuykendall alleging discriminatory employment practices. In March 2005, the Company received from the U.S. Department of Labor a favorable ruling. The U.S. Department of Labor found no reasonable cause to support former employee Mr. Kuykendall's complaint for improper termination and the U.S. Department of Labor concluded that Mr. Kuykendall failed to demonstrate that his alleged assertions were a contributing factor in his discharge for cause. Mr. Kuykendall did not appeal the U.S. Department of Labor ruling and the case was subsequently closed. As the Company indicated previously, management vigorously defended itself from any action and the ruling by the U.S. Department of Labor demonstrated that the Company had significant defenses against the claim and that the termination was handled properly. In May 2005, the Company and Mr. Kuykendall dropped all complaints and legal proceedings against each other and signed a confidential settlement agreement and mutual general release. (See Note 16)

In connection with the November 2004 acquisition of the senior secured debt of Davel, the Company agreed to purchase the remaining issued and outstanding shares (approximately 4.8%) held by the minority stockholders (the "Minority Stockholders") within 180 days of the closing date of the Davel acquisition. The purchase price to be offered to the Minority Stockholders was to be an amount of not less than $0.015 per share, which, at the discretion of the Company, could be paid in cash or common stock of Mobilepro. The Company elected to make the purchase in the form of a reverse split and cash purchase. Prior to undertaking the cash purchase, Davel retained a financial advisor to render an opinion that the terms of the purchase were fair, from a financial point of view, to the Minority Stockholders. Mobilepro retained the financial advisor in January 2005. In February 2005, the financial advisor rendered its opinion that the terms of the purchase were fair, from a financial point of view, to the Minority Stockholders. Subsequent to year-end, Davel paid the cash purchase price of $450,000 to the Minority Stockholders and the transaction was completed in May 2005.

In April 2005, the Company announced that, through its Neoreach wireless division, it has launched a pilot project to set up a wireless access zone in Chandler, Arizona, a suburb of Phoenix.

In April 2005, the Company announced that Philip F. Otto has been appointed to its advisory board.

In April 2005, the Company announced that its subsidiary, CloseCall America, plans to launch a new prepaid wireless product. The new service offers a "no surprise" wireless bill for consumers and will offer new features including parental controls that will have the ability to restrict outgoing and incoming calls to only certain numbers. CloseCall also announced that it is now providing digital subscriber line (DSL) high-speed connectivity in Ohio, Michigan and Indiana in addition to Maryland, New Jersey and Delaware where CloseCall currently offers DSL service.

In April 2005, the Company announced that it has been awarded a five-year contract (with two five-year options) to deploy and manage a city-wide wireless network covering a 40-square-mile area of Tempe, Arizona. The network, known as WazTempe, will be able to reach Tempe's more than 65,000 households, 1,100 businesses, 50,000 students and hundreds of thousands of annual visitors. Additionally, it will provide municipal services to Tempe police, fire, emergency and city/Arizona State University personnel.

In May 2005, the Company announced that it has signed a term sheet for a new $15.5 million financing with Cornell that

NOTE 20 **SUBSEQUENT EVENTS (CONTINUED)**

significantly lowers the Company's cost of capital. The financing carries an interest rate of 7.75%, has a term of three years, is convertible into common stock at $0.30 per share and includes six million warrants with an exercise price of $0.50 per share. The new financing replaces a bridge financing from Airlie Opportunity Master Fund, a Connecticut based hedge fund, which had an interest rate of 23%. The Company closed this financing transaction on May 13, 2005.

In May 2005, the Company issued an additional 5,000,000 shares of common stock to the escrow agent for use in converting debt into common stock under the $100 million Standby Equity Distribution Agreement.

In May 2005, the Company announced that its Neoreach Wireless division had acquired WazAlliance, a growing network of metro-wide commercial and residential Wi-Fi and Wi-Max access zones, for common stock plus the assumption of certain liabilities. The Company had previously partnered with WazAlliance to deploy full-scale metro-wide service in both Tempe and Chandler, Arizona, known as WazTempe and WazChandler. WazAlliance also includes WazHamptonRoads and WazMaui and has opportunities in other cities, primarily in the Southwest. This alliance provides city-wide multi-band Wi-Fi networks for municipal vehicles and personnel, including public safety employees as well as services for residences, retail businesses, schools, public events, hotels and resorts, and public transportation.

In May 2005, the Company's CloseCall America subsidiary signed a long-term commercial agreement with Verizon. The new commercial agreement secures pricing to 2010, and will allow the Company to increase the number of customers to which it can provide its CloseCall local, long-distance, cellular and Internet services.

In May 2005, the Company appointed Michael J. Kleeman to the Company's advisory board. Mr. Kleeman brings nearly 30 years of experience in wireless, telecommunications and computers to the Company. Mr. Kleeman is a director of Cyberinfrastructure Policy Research at the University of California San Diego. Mr. Kleeman previously worked for Sprint, Arthur D. Little consulting, Boston Consulting Group and Aerie Networks. Most recently, Mr. Kleeman was co-founder and CTO of Cometa Networks, a company backed by IBM, Intel and AT&T, where Mr. Kleeman used his expertise in OSS for 802.11 networks.

In May 2005, the Company signed a Memorandum of Understanding with Viyya Technologies, Inc. under which the Company will become a reseller of Viyya's VIYYA™ software. The Company will work with Viyya management to market and distribute VIYYA™ via a reseller agreement to be negotiated between the companies. Anticipated to be available later this summer to the Company's Nationwide Internet subscribers, the VIYYA™ software platform will assist in the management, personalization and customization of content maintained on the Nationwide Internet access service.

Subsequent to the year ended March 31, 2005, the Company continued to pursue a working relationship covering a number of potential technology and communications projects with ActivePoint, an Israeli technology company. The companies previously signed a Memorandum of Understanding and Business Development Agreement whereby the companies are working on select opportunities involving ActivePoint's search engine and the Company's internet services, voice services, wireless services, and other telecommunications and IT initiatives within North America. In May 2005, ActivePoint filed a registration statement with the United States Securities and Exchange Commission. ActivePoint is attempting to become a publicly traded company. The Company owns approximately 5.5% of the common stock of ActivePoint that it received in exchange for its services.

In May 2005, the Company signed a memorandum of understanding with UC Hub Group, Inc. (OTCBB: UCHB), under which the companies can cross-sell each other's products and services, including broadband wireless, e-money applications and other value-added telecommunications services to its customer bases, including cities throughout the United States.

In May 2005, the Company announced the appointment of Tammy L. Martin as President and Chief Executive Officer of the Company's pay telephone subsidiary, Davel Communications, Inc.

In May 2005, the Company announced that Daniel Lozinsky retired from Mobilepro's board of directors to pursue other business and personal interests.

In August 2004, the Company announced its intention to issue a property dividend of 3,073,113 shares of common stock of STI. The Company shareholders are expected to receive one share of registered (i.e. "free-trading") STI stock for approximately every 93 shares of the Company stock that they own, based on the existing shares outstanding and certain warrants. The Company's board of directors set September 15, 2004 as the record date for the stock dividend. In March 2005, STI withdrew its registration statement from the United States Securities and Exchange Commission. STI is

NOTE 20- **SUBSEQUENT EVENTS (CONTINUED)**

contemplating other options to become a publicly traded company. The Company intends to pursue issuance of the property dividend upon STI obtaining its public listing. At this time, no date has been established for such listing.

As part of the August 27, 2004 $8,500,000 funding by Cornell, the Company transferred $5,000,000 of the note balance into debt under the $100 million SEDA in February 2005. $3,900,000 of the $5,000,000 due under the $100 million SEDA as of March 31, 2005 was converted into 15,923,684 shares of common stock subsequent to March 31, 2005.

The remaining principal balance on the $8,500,000 note payable was $1,300,000 as of March 31, 2005, and it was transferred into debt under the $100 million Standby Equity Distribution Agreement and was fully converted into 4,909,091 shares of common stock subsequent to March 31, 2005.

As part of the February 22, 2005 $1,500,000 funding by Cornell, $1,500,000 remains outstanding under the $100 million SEDA as of March 31, 2005. No part of the debt was converted into shares of common stock subsequent to March 31, 2005.

Attachment E

CLOSECALL AMERICA, INC.
FINANCIAL PROJECTION: ARIZONA LOCAL SERVICE
INCOME STATEMENTS

YEAR 1:

	YR 1 - Mo 1	YR 1 - Mo 2	YR 1 - Mo 3	YR 1 - Mo 4	YR 1 - Mo 5	YR 1 - Mo 6
Revenue	$ 6,927	$ 13,854	$ 20,781	$ 27,708	$ 34,635	$ 41,563
Cost of Sales	4,849	9,698	14,547	19,396	24,245	29,094
Gross Profit	2,078	4,156	6,234	8,313	10,391	12,469
Operating Expenses:						
Marketing	9,500	9,500	9,500	9,500	9,500	9,500
Variable	1,039	2,078	3,117	4,156	5,195	6,234
Bad Debts	208	416	623	831	1,039	1,247
Total Operating Expenses	10,747	11,994	13,241	14,488	15,734	16,981
Net Income (Loss) for Month	$ (8,669)	$ (7,838)	$ (7,006)	$ (6,175)	$ (5,344)	$ (4,513)
Net Income (Loss) - YTD	$ (8,669)	$ (16,506)	$ (23,513)	$ (29,688)	$ (35,031)	$ (39,544)

	YR 1 - Mo 7	YR 1 - Mo 8	YR 1 - Mo 9	YR 1 - Mo 10	YR 1 - Mo 11	YR 1 - Mo 12	Year 1
Revenue	$ 48,490	$ 55,417	$ 62,344	$ 69,271	$ 76,198	$ 83,125	$ 540,313
Cost of Sales	33,943	38,792	43,641	48,490	53,339	58,188	378,219
Gross Profit	14,547	16,625	18,703	20,781	22,859	24,938	162,094
Operating Expenses:							
Marketing	9,500	9,500	9,500	9,500	9,500	9,500	114,000
Variable	7,273	8,313	9,352	10,391	11,430	12,469	81,047
Bad Debts	1,455	1,663	1,870	2,078	2,286	2,494	16,209
Total Operating Expenses	18,228	19,475	20,722	21,969	23,216	24,463	211,256
Net Income (Loss) for Month	$ (3,681)	$ (2,850)	$ (2,019)	$ (1,187)	$ (356)	$ 475	$ (49,163)
Net Income (Loss) - YTD	$ (43,225)	$ (46,075)	$ (48,094)	$ (49,281)	$ (49,638)	$ (49,163)	

YEAR 2:

	YR 2 - Mo 1	YR 2 - Mo 2	YR 2 - Mo 3	YR 2 - Mo 4	YR 2 - Mo 5	YR 2 - Mo 6
Revenue	$ 90,052	$ 96,979	$ 103,906	$ 110,833	$ 117,760	$ 124,688
Cost of Sales	63,036	67,885	72,734	77,583	82,432	87,281
Gross Profit	27,016	29,094	31,172	33,250	35,328	37,406
Operating Expenses:						
Marketing	9,500	9,500	9,500	9,500	9,500	9,500
Variable	13,508	14,547	15,586	16,625	17,664	18,703
Bad Debts	2,702	2,909	3,117	3,325	3,533	3,741
Total Operating Expenses	25,709	26,956	28,203	29,450	30,697	31,944
Net Income (Loss) for Month	$ 1,306	$ 2,138	$ 2,969	$ 3,800	$ 4,631	$ 5,463
Net Income (Loss) - YTD	$ 1,306	$ 3,444	$ 6,413	$ 10,213	$ 14,844	$ 20,306

	YR 2 - Mo 7	YR 2 - Mo 8	YR 2 - Mo 9	YR 2 - Mo 10	YR 2 - Mo 11	YR 2 - Mo 12	Year 2
Revenue	$ 131,615	$ 138,542	$ 145,469	$ 152,396	$ 159,323	$ 166,250	$ 1,537,813
Cost of Sales	92,130	96,979	101,828	106,677	111,526	116,375	1,076,469
Gross Profit	39,484	41,563	43,641	45,719	47,797	49,875	461,344
Operating Expenses:							
Marketing	9,500	9,500	9,500	9,500	9,500	9,500	114,000
Variable	19,742	20,781	21,820	22,859	23,898	24,938	230,672
Bad Debts	3,948	4,156	4,364	4,572	4,780	4,988	46,134
Total Operating Expenses	33,191	34,438	35,684	36,931	38,178	39,425	390,806
Net Income (Loss) for Month	$ 6,294	$ 7,125	$ 7,956	$ 8,788	$ 9,619	$ 10,450	$ 70,538
Net Income (Loss) - YTD	$ 26,600	$ 33,725	$ 41,681	$ 50,469	$ 60,088	$ 70,538	

CLOSECALL AMERICA, INC.
FINANCIAL PROJECTION: ARIZONA LOCAL SERVICE
BALANCE SHEETS

	YR 1 - Mo 1	YR 1 - Mo 2	YR 1 - Mo 3	YR 1 - Mo 4	YR 1 - Mo 5	YR 1 - Mo 6
Assets						
Cash	$ 148,961	$ 139,253	$ 130,377	$ 122,331	$ 115,117	$ 108,734
Accounts Receivable	6,927	14,062	21,405	28,955	36,506	44,056
Allowance for Doubtful Accounts	(208)	(623)	(1,247)	(2,078)	(2,909)	(3,741)
Accounts Receivable, Net	6,719	13,439	20,158	26,877	33,598	40,316
Total Assets	$ 155,680	$ 152,692	$ 150,534	$ 149,208	$ 148,714	$ 149,050
Liabilities & Stockholders' Eq						
Accounts Payable	$ 14,349	$ 19,198	$ 24,047	$ 28,896	$ 33,745	$ 38,594
Stockholders' Equity	150,000	150,000	150,000	150,000	150,000	150,000
Income (Loss)	(8,669)	(16,506)	(23,513)	(29,688)	(35,031)	(39,544)
Total Stockholders' Equity	141,331	133,494	126,488	120,313	114,969	110,456
Total Liab & Stockholders' Eq	$ 155,680	$ 152,692	$ 150,534	$ 149,208	$ 148,714	$ 149,050

	YR 1 - Mo 7	YR 1 - Mo 8	YR 1 - Mo 9	YR 1 - Mo 10	YR 1 - Mo 11	YR 1 - Mo 12
Assets						
Cash	$ 103,183	$ 98,463	$ 94,573	$ 91,516	$ 89,289	$ 87,894
Accounts Receivable	51,607	59,157	66,708	74,258	81,809	89,359
Allowance for Doubtful Accounts	(4,572)	(5,403)	(6,234)	(7,066)	(7,897)	(8,728)
Accounts Receivable, Net	47,035	53,754	60,473	67,193	73,912	80,631
Total Assets	$ 150,218	$ 152,217	$ 155,047	$ 158,708	$ 163,201	$ 168,525
Liabilities & Stockholders' Eq						
Accounts Payable	$ 43,443	$ 48,292	$ 53,141	$ 57,990	$ 62,839	$ 67,688
Stockholders' Equity	150,000	150,000	150,000	150,000	150,000	150,000
Income (Loss)	(43,225)	(46,075)	(48,094)	(49,281)	(49,638)	(49,163)
Total Stockholders' Equity	106,775	103,925	101,906	100,719	100,363	100,838
Total Liab & Stockholders' Eq	$ 150,218	$ 152,217	$ 155,047	$ 158,708	$ 163,201	$ 168,525

	YR 2 - Mo 1	YR 2 - Mo 2	YR 2 - Mo 3	YR 2 - Mo 4	YR 2 - Mo 5	YR 2 - Mo 6
Assets						
Cash	$ 87,330	$ 87,597	$ 88,695	$ 90,625	$ 93,386	$ 96,978
Accounts Receivable	96,910	104,460	112,011	119,561	127,112	134,663
Allowance for Doubtful Accounts	(9,559)	(10,391)	(11,222)	(12,053)	(12,884)	(13,716)
Accounts Receivable, Net	87,351	94,070	100,789	107,508	114,228	120,947
Total Assets	$ 174,680	$ 181,667	$ 189,484	$ 198,133	$ 207,614	$ 217,925
Liabilities & Stockholders' Eq						
Accounts Payable	$ 72,536	$ 77,385	$ 82,234	$ 87,083	$ 91,932	$ 96,781
Stockholders' Equity	100,838	100,838	100,838	100,838	100,838	100,838
Income (Loss)	1,306	3,444	6,413	10,213	14,844	20,306
Total Stockholders' Equity	102,144	104,281	107,250	111,050	115,681	121,144
Total Liab & Stockholders' Eq	$ 174,680	$ 181,667	$ 189,484	$ 198,133	$ 207,614	$ 217,925

	YR 2 - Mo 7	YR 2 - Mo 8	YR 2 - Mo 9	YR 2 - Mo 10	YR 2 - Mo 11	YR 2 - Mo 12
Assets						
Cash	$ 101,402	$ 106,656	$ 112,742	$ 119,659	$ 127,408	$ 135,988
Accounts Receivable	142,213	149,764	157,314	164,865	172,415	179,966
Allowance for Doubtful Accounts	(14,547)	(15,378)	(16,209)	(17,041)	(17,872)	(18,703)
Accounts Receivable, Net	127,666	134,385	141,105	147,824	154,543	161,263
Total Assets	$ 229,068	$ 241,042	$ 253,847	$ 267,483	$ 281,951	$ 297,250
Liabilities & Stockholders' Eq						
Accounts Payable	$ 101,630	$ 106,479	$ 111,328	$ 116,177	$ 121,026	$ 125,875
Stockholders' Equity	100,838	100,838	100,838	100,838	100,838	100,838
Income (Loss)	26,600	33,725	41,681	50,469	60,088	70,538
Total Stockholders' Equity	127,438	134,563	142,519	151,306	160,925	171,375
Total Liab & Stockholders' Eq	$ 229,068	$ 241,042	$ 253,847	$ 267,483	$ 281,951	$ 297,250

CLOSECALL AMERICA, INC.
FINANCIAL PROJECTION: ARIZONA LOCAL SERVICE
CASH FLOW STATEMENTS

YEAR 1:

	YR 1 - Mo 1	YR 1 - Mo 2	YR 1 - Mo 3	YR 1 - Mo 4	YR 1 - Mo 5	YR 1 - Mo 6	YR 1 - Mo 7	YR 1 - Mo 8	YR 1 - Mo 9	YR 1 - Mo 10	YR 1 - Mo 11	YR 1 - Mo 12	Year 1
Net Income (Loss)	$ (8,669)	$ (7,838)	$ (7,006)	$ (6,175)	$ (5,344)	$ (4,513)	$ (3,681)	$ (2,850)	$ (2,019)	$ (1,187)	$ (356)	$ 475	$ (49,163)
Decr(Incr) in A/R	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(80,631)
Incr (Decr) in A/P	14,349	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	67,688
Incr (Decr) in Cash - Month	$ (1,039)	$ (9,708)	$ (8,877)	$ (8,045)	$ (7,214)	$ (6,383)	$ (5,552)	$ (4,720)	$ (3,889)	$ (3,058)	$ (2,227)	$ (1,395)	$ (62,106)
Beg Balance	150,000	148,961	139,253	130,377	122,331	115,117	108,734	103,183	98,463	94,573	91,516	89,289	150,000
End Balance	$ 148,961	$ 139,253	$ 130,377	$ 122,331	$ 115,117	$ 108,734	$ 103,183	$ 98,463	$ 94,573	$ 91,516	$ 89,289	$ 87,894	$ 87,894

YEAR 2:

	YR 2 - Mo 1	YR 2 - Mo 2	YR 2 - Mo 3	YR 2 - Mo 4	YR 2 - Mo 5	YR 2 - Mo 6	YR 2 - Mo 7	YR 2 - Mo 8	YR 2 - Mo 9	YR 2 - Mo 10	YR 2 - Mo 11	YR 2 - Mo 12	Year 2
Net Income (Loss)	$ 1,306	$ 2,138	$ 2,969	$ 3,800	$ 4,631	$ 5,463	$ 6,294	$ 7,125	$ 7,956	$ 8,788	$ 9,619	$ 10,450	$ 70,538
Decr(Incr) in A/R	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(6,719)	(80,631)
Incr (Decr) in A/P	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	4,849	58,188
Incr (Decr) in Cash - Month	$ (564)	$ 267	$ 1,098	$ 1,930	$ 2,761	$ 3,592	$ 4,423	$ 5,255	$ 6,086	$ 6,917	$ 7,748	$ 8,580	$ 48,094
Beg Balance	87,894	87,330	87,597	88,695	90,625	93,386	96,978	101,402	106,656	112,742	119,659	127,408	87,894
End Balance	$ 87,330	$ 87,597	$ 88,695	$ 90,625	$ 93,386	$ 96,978	$ 101,402	$ 106,656	$ 112,742	$ 119,659	$ 127,408	$ 135,988	$ 135,988

CLOSECALL AMERICA, INC.

FINANCIAL PROJECTION: ARIZONA LOCAL SERVICE
PROJECTION ASSUMPTIONS

Market services to ISP customers owned by MobilePro in Arizona over a 24 month period, using the following assumptions:

# of ISP customers:			9,500
Overall estimated converted customers @:	50%		4,750
Conversion rate per month:			198
Monthly revenue per customer for local service:		$	35
Cost of sales % (paid following month):			70%
Marketing cost per new customer (paid following month):		$	48
Estimated allocation of variable costs % of revenue (paid current month):			15%
Collect current month's billing the following month.			
Allowance for bad debts %:			3%
Delinquent accounts written off in 5th month.			
Cost of sales incurred for current month paid the following month.			
No additional fixed costs anticipated.			